public accounts 1985-86

volume 2 — financial statements of crown corporations boards commissions

ONTARIO

PUBLISHED BY THE MINISTRY OF TREASURY AND ECONOMICS

87-05021/

ISSN 0381-2375

public accounts 1985-86

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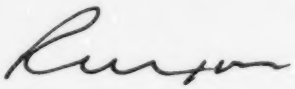
I am pleased to present this volume, which contains financial statements of selected crown corporations, boards and commissions, as a supplement to the 1985-86 Public Accounts of the Province of Ontario.

To assist readers, the organization and content of the Public Accounts is described in A Guide to Public Accounts of page 7 of this volume.

Comments or queries will be welcome and should be directed to the Financial Information and Accounting Policy Branch, Office of the Treasury, Ministry of Treasury and Economics.



HONOURABLE ROBERT F. NIXON
Treasurer of Ontario and
Minister of Economics

TORONTO, NOVEMBER, 1986

MINISTERIAL RESPONSIBILITY FOR CROWN CORPORATIONS, BOARDS AND COMMISSIONS

Minister of Agriculture and Food
- The Crop Insurance Commission of Ontario
- Farm Income Stabilization Commission of Ontario
- The Ontario Junior Farmer Establishment Loan Corporation

Attorney General
- The Accountant of the Supreme Court of Ontario
- The Public Trustee of the Province of Ontario

Minister of Consumer and Commercial Relations
- Liquor Control Board of Ontario

Minister of Energy
- Ontario Energy Corporation
- Ontario Hydro

Minister of the Environment
- Ontario Waste Management Corporation

Minister of Housing
- Ontario Housing Corporation
- Ontario Land Corporation

Minister of Industry, Trade and Technology
- The Development Corporations (combined)
- Ontario Development Corporation
- Eastern Ontario Development Corporation
- Northern Ontario Development Corporation
- Idea Corporation
- Ontario Centre for Advanced Manufacturing
- Ontario Centre for Automotive Parts Technology
- Ontario Centre for Farm Machinery and Food Processing Technology
- Ontario Centre for Microelectronics
- Ontario Centre for Resource Machinery Technology
- Ontario International Corporation

Minister of Labour
- Workers' Compensation Board

Minister of Natural Resources
- Algonquin Forestry Authority

Ministry of Northern Affairs and Mines
- Ontario Northland Transportation Commission

Minister of Tourism and Recreation
- The Niagara Parks Commission
- Ontario Lottery Corporation
- Ontario Place Corporation

Minister of Transportation and Communications
- Toronto Area Transit Operating Authority
- Urban Transportation Development Corporation Ltd.

Treasurer of Ontario
- Stadium Corporation of Ontario Limited
- The Ontario Education Capital Aid Corporation
- The Ontario Municipal Improvement Corporation
- The Ontario Universities Capital Aid Corporation
- Teachers' Superannuation Fund

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A GUIDE TO PUBLIC ACCOUNTS

1. SCOPE OF THE PUBLIC ACCOUNTS

The 1985-86 Public Accounts of the Province of Ontario comprise three volumes:

Volume 1 contains the financial statements of the Province and schedules of supporting information.

Volume 2, a supplementary volume, contains the financial statements of those provincial crown corporations, boards and commissions in which the Province has an investment or which have borrowed from the Province or from others with a guarantee by the Province. Also included are selected agencies and certain significant operational agencies which are funded in whole or in part by revenues generated from their operations.

Volume 3, also a supplementary volume, contains the details of expenditures required by the Standing Public Accounts Committee.

2. A GUIDE TO VOLUME 2 OF THE PUBLIC ACCOUNTS

The financial statements of the selected crown corporations, boards and commissions are for fiscal periods ending within the Province's own fiscal period April 1, 1985 to March 31, 1986. They are presented in the same detail as the approved, audited financial statements and as nearly as possible in the same form. The statements have been presented alphabetically as shown in the Table of Contents. In addition, a listing is provided which groups the crown corporations, boards and commissions by ministerial responsibility.

ACCOUNTANT OF THE SUPREME COURT OF ONTARIO

Balance Sheet
as at March 31, 1986

ASSETS

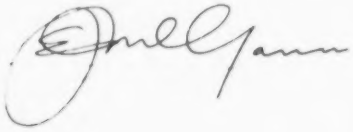
	1986 ($000's)	1985 ($000's)
Investments, at cost (market value $239,033; 1985 $204,852) (Schedule 1)	233,353	223,263

LIABILITIES AND CAPITAL RESERVE ACCOUNT

Liabilities		
Bank indebtedness	1,496	1,172
Suits and matters (note 3)	214,209	206,631
Suitors' suspense (note 4)	2,259	2,219
Other liabilities	1,903	1,889
	219,867	211,911
Capital Reserve Account	13,486	11,352
	233,353	223,263

See accompanying schedule and notes to financial statements.

Approved:



The Accountant of the Supreme Court of Ontario

To the Accountant of the Supreme Court of Ontario and
to the Attorney General.

I have examined the balance sheet of the Accountant of the Supreme Court of Ontario as at March 31, 1986 and the statement of income and capital reserve account for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Accountant of the Supreme Court of Ontario as at March 31, 1986 and the results of operations for the year then ended in accordance with the accounting policies described in note 2 to the financial statements, applied on a basis consistent with that of the preceding year.

A report on the audit has been made to the Accountant of the Supreme Court of Ontario and to the Attorney General.

Toronto, Ontario,
July 31, 1986.

J.F. Otterman, F.C.A.,
Assistant Provincial Auditor.

ACCOUNTANT OF THE SUPREME COURT OF ONTARIO

Statement of Income and Capital Reserve Account
Year ended March 31, 1986

	1986 ($000's)	1985 ($000's)
Income		
Interest (note 5)	22,758	22,382
Expenditures		
Interest (note 5)	18,913	18,130
Administration		
Salaries and wages	248	234
Employee benefits	38	33
Transportation and communication	12	6
Services	53	56
Supplies and equipment	16	17
	19,280	18,476
Excess of income over expenditures	3,478	3,906
Capital Reserve Account, beginning of year	11,352	9,426
	14,830	13,332
Loss on sale of investments	1,344	1,980
Capital Reserve Account, end of year	13,486	11,352

SCHEDULE 1

Schedule of Investments
March 31, 1986

	Par Value ($000's)	Cost ($000's)	Market Value ($000's)
Bonds			
Province of Ontario	10,300	10,074	10,172
Ontario Hydro	107,557	103,729	105,827
Government of Canada	32,000	31,982	33,396
Province of:			
Saskatchewan	9,050	9,126	9,329
British Columbia	5,000	5,029	5,498
New Brunswick	4,000	4,004	4,165
Quebec	2,000	1,987	2,130
Nova Scotia	1,000	988	1,128
Manitoba	1,000	1,000	1,120
Accrued interest on bond purchases	14	14	14
	171,921	167,933	172,779
Other Securities	14,630	14,655	15,317
Short term Investments	50,976	50,765	50,937
	237,527	233,353	239,033

See accompanying notes to financial statements.

ACCOUNTANT OF THE SUPREME COURT OF ONTARIO

Notes to Financial Statements
March 31, 1986

1. GENERAL

The office of the Accountant of the Supreme Court of Ontario is the depository for all funds, mortgages and securities which are paid into the Supreme Court of Ontario. Such funds are received and disbursed or released pursuant to judgments and orders of the court, and in accordance with the Courts of Justice Act, 1984 and other relevant statutes.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) The Accountant uses a cash basis of accounting.
(b) Fixed assets are recorded as expenditures when purchased.
(c) Funds are invested in income producing securities. The securities are recorded at cost, with gains and losses on the sale of investments recognized in the capital reserve account on the first-in first-out basis.

3. SUITS AND MATTERS

These accounts, vested in the Accountant, represent the undisbursed balance of funds paid into the Supreme Court of Ontario on behalf of minors and pursuant to judgments and orders under various statutes. In 1986 funds paid in, including interest, totalled $68.6 million (1985: $88.6 million) while disbursements including interest, where applicable, amounted to $61.0 million (1985: $84.3 million).

4. SUITORS' SUSPENSE

All sums that are not claimed within ten years from the time when they became payable out of court are transferred from the suits and matters accounts to a suitors' suspense account which does not bear interest. In 1986 accounts transferred in amounted to $46,000 (1985: $69,000) and claims paid totalled $6,000 (1985: $27,000).

5. RESTATEMENT OF COMPARATIVE FIGURES

During 1985 and prior years, accrued interest on bond purchases was incorrectly accounted for by the Accountant. Both interest revenue and interest expense were overstated by $1,215,000 in 1985 and the previously reported amounts have been restated accordingly. The restatement has no effect on the 1985 opening Capital Reserve Account.

6. MORTGAGES AND SECURITIES IN TRUST

The Accountant also acts as custodian of mortgages in the amount of $1.2 million and miscellaneous securities and documents having a value of $857,000. These amounts are not reflected in the financial statements.

ALGONQUIN FORESTRY AUTHORITY

Balance Sheet
as at March 31, 1986

ASSETS

	1986 $	1985 $
Current Assets		
Cash	130,392	
Accounts receivable	1,288,026	1,249,563
Inventory	180,153	558,769
Prepaid expenses	2,570	485
	1,601,141	1,808,817
Fixed assets (note 3)	608,529	431,516
Deferred charge	90,487	113,109
	2,300,156	2,353,442

LIABILITIES AND SURPLUS

Current Liabilities		
Bank overdraft		9,109
Accounts payable and accrued liabilities	313,914	365,801
Contractors' performance holdbacks	116,222	88,839
Term loans, Province of Ontario		253,417
	430,136	717,166
Deferred credit (note 4)	7,496	10,809
Surplus	1,862,524	1,625,467
	2,300,156	2,353,442

See accompanying notes to financial statements.

On behalf of the Board:

Director

Director

ALGONQUIN FORESTRY AUTHORITY

Statement of Operations
for the year ended March 31, 1986

	1986 $	1985 $
Revenue		
Product sales	9,036,585	11,091,819
Standing timber sales	778,323	675,613
Other	44,776	32,823
	9,859,684	11,800,255
Expenditure		
Operating - direct		
Logging and distribution costs	7,464,037	8,855,706
Crown timber stumpage charges	1,147,221	1,292,576
Road maintenance	88,462	43,026
Area charges	13,892	12,888
Operations planning	13,414	61,253
	8,727,026	10,265,449
Operating income	1,132,658	1,534,806
Administative — indirect operating and other		
Salaries and benefits	591,488	660,466
Depreciation and amortization	155,640	100,958
Office supplies and expenses	71,391	66,118
Consulting	31,595	35,848
Directors' allowances and expenses	31,354	30,703
Public relations	25,241	3,286
Interest	22,393	63,331
Staff recruitment and relocation	22,046	
Office rent	21,570	22,801
Staff training	10,037	8,018
Staff travel	8,483	8,532
Insurance	8,474	7,644
Bad debt expense	3,827	905
Legal	612	492
	1,004,151	1,009,102
Net income for the year	128,507	525,704
Net income for the year		
Forest Management Undertaking (Schedule)	108,550	337,819

See accompanying notes to financial statements.

ALGONQUIN FORESTRY AUTHORITY

Statement of Surplus
for the year ended March 31, 1986

	1986 $	1985 $
Algonquin Forestry Authority		
Surplus, beginning of year	1,303,836	778,132
Net income for the year	128,507	525,704
Balance, end of year	1,432,343	1,303,836
Forest Management Undertaking (note 2)		
Unappropriated surplus (deficit), beginning of year	267,188	(33,850)
Net income for the year	108,550	337,819
Appropriated for replacement of fixed assets	(38,081)	(36,781)
Unappropriated surplus , end of year	337,657	267,188
Appropriated surplus, beginning of year	54,443	17,662
Appropriated for replacement of fixed assets	38,081	36,781
Appropriated surplus, end of year	92,524	54,443
Balance, end of year	430,181	321,631
Surplus, end of year	1,862,524	1,625,467

Statement of Changes in Financial Position
for the year ended March 31, 1986

	1986 $	1985 $
Source of working capital		
Net income for the year:		
Algonquin Forestry Authority	128,507	525,704
Forest Management Undertaking	108,550	337,819
Add (deduct) items not affecting working capital:		
Depreciation and amortization	161,528	103,353
Gain on disposal of fixed assets	(7,300)	(6,813)
	391,285	960,063
Proceeds from disposal of fixed assets	7,300	8,791
	398,585	968,854
Use of working capital		
Purchase of fixed assets	319,231	247,873
Increase in working capital	79,354	720,981
Working capital, beginning of year	1,091,651	370,670
Working capital, end of year	1,171,005	1,091,651

See accompanying notes to financial statements.

ALGONQUIN FORESTRY AUTHORITY

SCHEDULE

Forest Management Undertaking
for the year ended March 31, 1986

	1986 $	1985 $
Revenue		
Forest management revenue (note 2)	1,047,303	1,174,816
Operating reimbursements	165,000	179,000
Stand improvement	63,648	
Other	11,934	16,594
	1,287,885	1,370,410
Expenditures		
Direct expenditure		
Wages and benefits	389,742	404,278
Heavy equipment rental	137,017	178,355
Stand improvement	103,473	
Materials	73,480	22,772
Paint	59,138	59,535
Salt and calcium	49,664	52,470
Vehicle costs	41,622	48,503
Planting stock	40,330	47,600
Sub contractors — tree marking	25,970	29,060
Vehicle rental	15,055	19,313
Board and provisions	14,448	15,169
	949,939	867,055
Indirect expenditure		
Salaries and benefits	132,565	116,738
Staff training	16,172	12,280
Radio rentals	4,344	4,279
	153,081	133,297
	1,103,020	1,000,352
Operating Income	184,865	370,058
Administrative		
Wages and benefits	43,630	6,677
Office expense	10,944	8,608
Office rent	9,210	7,697
Depreciation (note 3)	5,888	2,395
Insurance	4,655	4,837
Staff travel	1,988	—
Interest	—	2,025
	76,315	32,239
Net income for the year	108,550	337,819

See accompanying notes to financial statements.

ALGONQUIN FORESTRY AUTHORITY

Notes to Financial Statements
March 31, 1986

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Inventory
Inventory is stated at the lower of cost and net realizable value.

(b) Depreciation and amortization of fixed assets
Depreciation is provided for on the straight line method, generally using rates of 10 per cent per annum for furniture, fixtures, technical equipment, buildings and structures, 20 per cent per annum for data processing equipment and 33⅓ per cent per annum for automotive equipment. The cost of capital roads is amortized over the estimated number of operating seasons for which the roads are to be used, with a maximum amortization period of ten years.

(c) Deferred charge
Certain costs incurred in the development of a comprehensive forest management plan applicable to the period April 1, 1980 to March 31, 1990 were deferred and are being amortized on a straight line basis over 10 years.

2. FOREST MANAGEMENT UNDERTAKING

Effective April 1, 1983 the Authority undertook certain forest and land management activities formerly carried out by the Ministry of National Resources. Funding to conduct these activities is derived from operating reimbursements from the Ministry and from the retention of approximately 90 per cent of the stumpage fees normally remitted to the Ministry.

3. FIXED ASSETS

Fixed assets in service are stated at cost and consist of:

	1986		1985	
	Cost	Accumulated Depreciation and Amortization	Cost	Accumulated Depreciation and Amortization
	$	$	$	$
Furniture and fixtures	48,660	27,234	47,232	23,102
Data processing	67,310	20,571	41,097	11,370
Technical equipment	34,733	11,025	31,004	7,913
Automotive equipment	148,490	95,260	126,204	84,454
Buildings and structures	14,137	11,520	14,337	10,107
Capital roads	849,200	388,392	608,507	299,919
Forest Management undertaking (note 4)	235,193	—	231,880	—
	1,397,723	554,002	1,100,261	436,865
Forest Management Undertaking grants (note 4)	(235,193)		(231,880)	
	1,162,530		868,381	
	(554,002)		(436,865)	
	608,528		431,516	

Some of the Authority's fixed assets are used to carry out activities of the Forest Management Undertaking (FMU). As a result, the FMU has been charged depreciation of $5,888 on such assets.

4. DEFERRED CREDIT

The Ministry of Natural Resources has contributed $242,689 for capital expenditures relating to the Forest Management Undertaking of which $235,193 has been spent as at March 31, 1986. The remaining amount of $7,496 has been recorded as a deferred credit.

5. COMMITMENTS

The Authority rents premises under two leases which expire on November 30, 1988 and February 28, 1989. The current annual rent excluding escalation costs, under these leases, is $5,600 and $25,300 respectively.

6. COMPARATIVE FIGURES

Comparative figures have been reclassified where necessary to conform with 1986 presentation.

ALGONQUIN FORESTRY AUTHORITY

To the Members, Algonquin Forestry Authority, and
to the Minister of Natural Resources.

I have examined the balance sheet of the Algonquin Forestry Authority as at March 31, 1986 and the statements of operations, surplus, and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Authority as at March 31, 1986 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

In accordance with section 18 of the Algonquin Forestry Authority Act, a report on the audit has been made to the Authority and to the Minister.

J.F. Otterman

Toronto, Ontario,
July 16, 1986.

J.F. Otterman, F.C.A.,
Assistant Provincial Auditor.

THE CROP INSURANCE COMMISSION OF ONTARIO

Balance Sheet
as at March 31, 1986

ASSETS	1986	1985
	$	$
Cash and short term investments	12,257,121	520,269
Accounts and premium subsidy receivable	7,219,507	311,789
	19,476,628	832,058

LIABILITIES AND SURPLUS (DEFICIT)		
Provision for payment of unsettled indemnities (note 1b)	2,818,871	613,308
Premiums collected in advance (note 1c)	283,898	424,834
Unearned premiums (note 1d)	3,286,869	2,921,238
Advances from the Treasurer of Ontario	—	12,782,496
Advances from the Ministry of Agriculture and Food	15,000	5,000
	6,404,638	16,746,876
Surplus (Deficit)	13,071,990	(15,914,818)
	19,476,628	832,058

See accompanying notes to financial statements.

On behalf of the Commission:

for Chairman

Member

To The Crop Insurance Commission of Ontario and
to the Minister of Agriculture and Food.

I have examined the balance sheet of The Crop Insurance Commission of Ontario as at March 31, 1986 and the statements of revenue and expenditure and surplus (deficit) for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Commission as at March 31, 1986 and the results of its operations for the year then ended in accordance with the accounting policies described in Note 1 to the financial statements applied on a basis consistent with that of the preceding year.

In accordance with section 12 of the Crop Insurance Act (Ontario), a report on the audit has been made to the Commission and to the Minister.

D. F. Archer, F.C.A.,
Provincial Auditor.

Toronto, Ontario,
July 4, 1986.

THE CROP INSURANCE COMMISSION OF ONTARIO

Statement of Revenue and Expenditure
for the year ended March 31, 1986

	1986 $	1985 $
Revenue		
Crop Insurance Premiums:		
Premiums from insured persons	20,899,778	21,088,969
Premium subsidies from the Government of Canada	20,899,778	21,088,969
	41,799,556	42,177,938
Interest income	354,391	121,264
	42,153,947	42,299,202
Expenditure		
Indemnities (5,223 claims; 1985 — 6,528 claims)	13,004,289	15,253,742
Interest on advances from the Treasurer of Ontario	260,141	2,422,957
	13,264,430	17,676,699
Excess of revenue over expenditure	28,889,517	24,622,503

Statement of Surplus (Deficit)
for the year ended March 31, 1986

	1986 $	1985 $
Balance, beginning of year	(15,914,818)	(40,680,772)
Adjustment to prior year's indemnity provision (note 1b)	97,291	143,451
	(15,817,527)	(40,537,321)
Excess of revenue over expenditure	28,889,517	24,622,503
Balance, end of year	13,071,990	(15,914,818)

See accompanying notes to financial statements.

THE CROP INSURANCE COMMISSION OF ONTARIO

Notes to Financial Statements
March 31, 1986

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting
The Commission's financial statements are prepared using the accrual basis of accounting.

(b) Provision for payment of unsettled indemnities
At the end of a fiscal year, the Commission estimates outstanding indemnities. In the subsequent year, any difference between the estimated and the actual indemnities is reflected in the statement of surplus (deficit) and not in the statement of revenue and expenditure as the Commission feels the difference should not be reflected in the current year's operating results.

(c) Premiums collected in advance
Premiums collected in advance represent premiums received for the insurance of various crops where the deadline for applying for insurance coverage occurs after March 31, 1986. This insurance may be cancelled by the insured prior to the deadline date and premiums refunded.

(d) Unearned premiums
Unearned premiums represent premiums received for winter wheat and fruit crops. The harvesting of these crops and the payment of indemnities occurs subsequent to March 31, 1986. However, the deadline date for applying for insurance coverage occurs prior to year end, and accordingly, the insurance cannot be cancelled and no premiums will be refunded.

2. ADMINISTRATIVE EXPENSES

Salaries, benefits and other administrative expenses of the Commission are absorbed by the Ministry of Agriculture and Food and are not included in the statement of revenue and expenditure. Administrative expenses of the prior year have not been disclosed to conform with the 1986 presentation.

THE DEVELOPMENT CORPORATIONS

Combined Balance Sheet
as at March 31, 1986

Assets

	1986 ($000's)	1985 ($000's)
Cash and short-term deposits	32,541	32,411
Accounts receivable		
— Province	6,662	1,661
— other	602	517
Loans Receivable (note 3)	289,652	299,114
Long-term investments (notes 2(a) & 4)	263	263
Fixed assets (note 5)	3,752	3,953
Other assets (note 6)	711	781
Total assets	334,183	338,700

Liabilities

Accounts payable	474	529
Advances from the Province		
— interest bearing	154,410	175,900
— non interest bearing	92,619	85,981
Deferred revenue	5,636	6,016
Total liabilities	253,139	268,426

Shareholder's Equity

Share capital — authorized and issued; 7,000 shares with a par value of $1,000 each	7,000	7,000
Retained earnings	74,044	63,274
	81,044	70,274
Total liabilities and shareholder's equity	334,183	338,700

See accompanying notes to combined financial statements.

On behalf of the Boards:

Chairman

Chairman

Chairman

THE DEVELOPMENT CORPORATIONS

Combined Statement of Operations for the year ended March 31, 1986

	1986 ($000's)	1985 ($000's)
Revenue		
Interest	23,992	22,027
Net income from industrial parks (note 7)	1,403	1,239
Rental income	27	—
	25,422	23,266
Expense		
Interest on advances	19,062	19,765
Loans written off and guarantees honoured		
—Term	16,185	12,682
—Agency	4,879	2,040
Non-recoverable interest written off	602	—
Guarantee interest subsidy	2,365	1,737
Administration (note 8)	7,154	6,808
Grants (note 2)	4,740	2,900
	54,987	45,932
Loss before recoveries from the Province	29,565	22,666
Recoveries from the Province (note 9)	40,335	32,682
Net income for the year	10,770	10,016

Combined Statement of Retained Earnings for the year ended March 31, 1986

	1986 ($000's)	1985 ($000's)
Balance, beginning of year	63,274	53,258
Net income for the year	10,770	10,016
Balance, end of year	74,044	63,274

See accompanying notes to combined financial statements.

Notes to Combined Financial Statements March 31, 1986

1. SIGNIFICANT ACCOUNTING POLICIES

(a) General
These combined financial statements include the accounts of Ontario Development Corporation, Northern Ontario Development Corporation and Eastern Ontario Development Corporation.

(b) Loans written off
The write off of loans receivable is recovered from the Province by corresponding reductions in advances from the Province. In 1986, as directed by the Province, all amounts deemed uncollectible were written off.

(c) Guaranteed loans paid
The honouring of guarantees is funded by the Province and therefore, no provision is made.

(d) Recoveries of loans written off and guarantees honoured
Any amounts recovered on loans previously written off and guarantees previously honoured are paid directly to the Province and are not reflected in the Statement of Operations.

(e) Revenue
Interest revenue is recognized as income using the accrual basis of accounting except in the case of loans where the receipt of interest is deferred for one year or more. For these loans, revenue is recognized as income on receipt.

THE DEVELOPMENT CORPORATIONS

Notes to Combined Financial Statements — Continued
March 31, 1986

1. SIGNIFICANT ACCOUNTING POLICIES — Continued

(f) Deferred revenue
Interest accrued on loans for which repayment has been deferred (see note 1(e) above) is recorded as deferred revenue until such time as interest is actually received.

(g) Fixed assets
Equipment purchases are charged to expense in the year of acquisition, except for the Industrial Parks operations, for which all such amounts are capitalized. Depreciation of these fixed assets is provided for on a straight-line basis, using rates of from 5 to 20 per cent per annum for buildings and improvements, and 20 per cent per annum for equipment. Buildings acquired as a result of loan defaults by borrowers (see note 6) were capitalized and are depreciated on a straight-line basis at the rate of 5 per cent per annum.

(h) Long term investments
The Corporations account for long term investments on the cost basis.

(i) Administration expenses
These expenses are reflected on a cash basis which is modified to allow an additional 24 days to pay for goods and services pertaining to the fiscal period just ended.

2. RETROACTIVE CHANGES IN ACCOUNTING POLICY

(a) With regard to the long term investment in Allelix Inc. (see note 4) there has been a change in the accounting for payments made towards operating costs. Formerly these payments were capitalized and reported as long term investments because these payments carried rights to acquire equity shares at a nominal cost. These payments are now accounted for as grants and are recovered from the Province. The effect of this change on the current year's operations has been to reduce both long term investments and advances from the Province by $4.7 million and to increase both expense and recoveries from the Province by $4.7 million.

This change has been applied retroactively to previously reported balances, resulting in a reduction in long term investments and in advances from the Province of $5 million (1985 — $2.9 million; pre 1985 — $2.1 million), and a corresponding increase in expense and in recoveries from the Province.

(b) The Corporations receive transfer payments from the Province which are disbursed as conditional loans. These loans were previously recorded as loans receivable and as deferred revenue because the loan agreements contained provisions for deferred repayment or forgiveness. These loans are now considered as assets administered in trust for the Province. Any repayment of the loans will be returned to the Province as a recovery of prior year expenditures. Any interest received from the borrowers will continue to be recorded as revenue when received by the Corporations.

The effect of this change is to reduce loans receivable and deferred revenue by $20.8 million. This change has been applied retroactively to balances previously reported in 1985 resulting in a reduction of $18.8 million to both loans receivable and deferred revenue. See also note 3.

3. LOANS RECEIVABLE

	1986 ($000's)	1985 ($000's)
Term	215,027	236,572
Agency	74,625	62,542
	289,652	299,114

Agency loans represent loans approved and funded through programs of other provincial ministries and agencies, but the agreements are signed and managed on their behalf by the Development Corporations. Included in Agency loans is a loan of $15 million to Canada Development Corporation and John Labatt Limited for the construction of research facilities for Allelix Inc. (note 4). The borrowers may transfer title of these facilities to the Ontario Development Corporation in lieu of the repayment of the principal and interest due on March 31, 1992.

In addition, the Ontario Development Corporation administers loan agreements signed by other Ministries and therefore not reflected in the financial statements of the Corporation. In 1986, there were 33 such loans amounting to $26.6 million.

Also not reflected in the financial statements are transfer payments received from the Province which have been disbursed as conditional loans (see note 2(b)). Details of transactions relating to these loans are as follows:

THE DEVELOPMENT CORPORATIONS

Notes to Combined Financial Statements — Continued
March 31, 1986

	1986 ($000's)	1985 ($000's)
Loans outstanding, beginning of year	18,802	8,891
Add: loans disbursed	5,579	11,427
Less: loans forgiven	(3,555)	(1,516)
Loans outstanding, end of year	20,826	18,802
Cash yet to be disbursed as loans	1,176	813

4. LONG TERM INVESTMENTS

(a) Allelix Inc.

The Ontario Development Corporation owns a 20 per cent equity interest in Allelix Inc., a joint venture with the Canada Development Corporation (50 per cent) and John Labatt Ltd., (30 per cent), which conducts pure and applied research in industrial and agricultural applications of biotechnology. As a condition of this investment each shareholder contributes towards the operating costs in the ratio of his investment. The Corporation's share to date was $9.7 million.

The investment consists of 200 common shares, at cost — $200, and 47,000 redeemable preference shares, at cost — $470.

(b) HSA Systems Inc.

The Ontario Development Corporation owns a 35 per cent equity interest in HSA Systems Inc. having a cost of $262,500. The operations of this corporation have been wound down and no proceeds realized. The Province will reimburse the Corporation for any losses incurred.

5. FIXED ASSETS

Fixed assets relate primarily to the Industrial Parks and are stated at acquisition cost, less accumulated depreciation as follows:

	1986			1985
	Cost	Accumulated Depreciation	Net	Net
	($000's)	($000's)	($000's)	($000's)
Land	226	—	226	223
Sheridan Park Land	341	—	341	341
Buildings and improvements	11,495	8,481	3,014	3,243
Equipment	787	616	171	146
	12,849	9,097	3,752	3,953

6. OTHER ASSETS

Other assets consist of the following assets obtained as a result of loan defaults by borrowers:

	1986 ($000's)	1985 ($000's)
Investment in shares, at cost	301	301
Land and buildings, at 1977 appraised value plus subsequent additions at cost, less accumulated depreciation of $56,000	75	132
Net investment in lease	335	348
	711	781

7. INDUSTRIAL PARKS OPERATIONS

	1986 ($000's)	1985 ($000's)
Revenues from rent, utility charges and interest	4,234	4,081
Less: operating expenses	1,933	2,010
depreciation	898	832
Net income	1,403	1,239

THE DEVELOPMENT CORPORATIONS

Notes to Combined Financial Statements — Concluded
March 31, 1986

8. ADMINISTRATION

The cost of administration is borne by the Province through the Ministry of Industry, Trade and Technology (MITT). Details of administration expenses are as follows:

	1986 ($000's)	1985 ($000's)
Salaries and staff benefits	5,739	5,400
Transportation and communication	628	577
Services	491	511
Supplies and equipment	237	275
Total expenses reimbursed by the Province	7,095	6,763
Other expenses	59	45
	7,154	6,808

9. RECOVERIES FROM THE PROVINCE

The Province reimburses the Corporations for interest expense where the cost of funds exceeds interest charged on a loan, for administration expenses (note 8), for term loans written off, for guarantees honoured, for guarantee interest subsidies, and for grants.

10. CONTINGENT LIABILITIES

(a) As at March 31, 1986 contingent liabilities arising from guarantees of bank loans and other guarantees amounted to $102.6 million (1985 — $100.2 million).

(b) A legal action claiming damages of $4.5 million plus interest has been instituted against the Corporations and others by a former shareholder of Minaki Lodge Resort Ltd. and Minaki Development Company Limited. Legal counsel of the Corporations is of the opinion that the claim is without merit.

11. COMMITMENTS

Loans committed but not disbursed as at March 31, 1986 amounted to $73.3 million (1985 — $68.8 million). In connection with the investment in Allelix Inc. there is a commitment for additional research contributions of $5.3 million to be financed by the MITT.

12. TRANSFER OF WHOLLY-OWNED SUBSIDIARIES

During the fiscal year all of the outstanding shares of Minaki Lodge Resort Ltd. and of Minaki Development Company Limited were transferred from the Northern Ontario Development Corporation to the Ministry of Tourism and Recreation for no consideration.

13. SUBSEQUENT EVENTS

(a) On May 9, 1986, the Ontario Development Corporation, acting as agent for the Province, entered into agreements and acquired equity interests for no consideration as part of a restructuring of Massey Ferguson Ltd.

(b) On July 1, 1986, the Ontario Development Corporation assumed responsibility for the seven subsidiaries of the IDEA Corporation. These subsidiaries held investments and commitments which have a value yet to be determined by the Ontario Development Corporation.

(c) On September 15, 1986, the Innovation Ontario Corporation was established by regulation under the Development Corporations Act as an agency of MITT. Administrative support services will be provided by Ontario Development Corporation and MITT. Program costs are estimated at $5.3 million for fiscal 1986-87.

14. COMPARATIVE FIGURES

Certain of the 1985 figures have been reclassified to conform with the 1986 combined financial statement presentation.

To the Ontario Development Corporation,
Northern Ontario Development Corporation,
Eastern Ontario Development Corporation,
and to the Minister of Industry, Trade and Technology.

I have examined the combined balance sheet of the Development Corporations consisting of Ontario Development Corporation, Northern Ontario Development Corporation and Eastern Ontario Development Corporation, as at March 31, 1986 and the combined statements of operations and retained earnings for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these combined financial statements present fairly the financial position of the Development Corporations as at March 31, 1986 and the results of their operations for the year then ended in accordance with the accounting policies described in note 1 to the combined financial statements applied, after giving retroactive effect to the changes in accounting policy described in Note 2 to the combined financial statements, on a basis consistent with that of the preceding year.

In accordance with section 24 of the Development Corporations Act, a joint report on the audit has been made to the Development Corporations and to the Minister.

J. F. Otterman

J. F. Otterman, F.C.A.,
Assistant Provincial Auditor.

Toronto, Ontario,
September 26, 1986.

ONTARIO DEVELOPMENT CORPORATION

Balance Sheet
as at March 31, 1986

Assets

	1986 ($000's)	1985 ($000's)
Cash and short-term deposits	30,794	33,619
Accounts receivable		
— Province	5,776	—
— Northern Ontario Development Corporation	851	2,024
— Eastern Ontario Development Corporation	8,037	8,420
— Other	446	435
Loans receivable (note 3)	180,642	173,389
Long term investments (notes 2(a) & 4)	263	263
Fixed assets (note 5)	3,752	3,953
Total assets	230,561	222,103

Liabilities

Accounts payable		
— Province	—	857
— other	474	529
Advances from the Province		
— interest bearing	64,560	71,023
— non interest bearing	92,619	85,981
Deferred revenue	5,159	5,596
Total liabilities	162,812	163,986

Shareholder's Equity

Share capital — authorized and issued: 7,000 shares with a par value of $1,000 each	7,000	7,000
Retained earnings	60,749	51,117
	67,749	58,117
Total liabilities and shareholder's equity	230,561	222,103

See accompanying notes to financial statements.

On behalf of the Board:

Chairman

Director

To the Ontario Development Corporation and
to the Minister of Industry, Trade and Technology.

I have examined the balance sheet of the Ontario Development Corporation as at March 31, 1986 and the statements of operations and retained earnings for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Corporation as at March 31, 1986 and the results of its operations for the year then ended in accordance with the accounting policies described in note 1 to the financial statements applied, after giving retroactive effect to the changes in accounting policy described in note 2 to the financial statements, on a basis consistent with that of the preceding year.

In accordance with section 24 of the Development Corporations Act, a joint report on the audit has been made to the Development Corporations and to the Minister.

J. F. Otterman, F.C.A.,
Assistant Provincial Auditor.

Toronto, Ontario,
September 26, 1986.

ONTARIO DEVELOPMENT CORPORATION

Statement of Operations
for the year ended March 31, 1986

	1986 ($000's)	1985 ($000's)
Revenue		
Interest	14,361	12,528
Net income from industrial parks (note 6)	1,403	1,239
	15,764	13,767
Expense		
Interest on advances	8,068	7,843
Loans written off and guarantees honoured		
— Term	8,284	9,386
— Agency	3,979	2,040
Non-recoverable interest written off	294	—
Guarantee interest subsidy	991	893
Administration (note 7)	5,663	5,433
Grants (note 2(a))	4,740	2,900
	32,019	28,495
Loss before recoveries from the Province	16,255	14,728
Recoveries from the Province (note 8)	25,887	23,237
Net Income for the year	9,632	8,509

Statement of Retained Earnings
for the year ended March 31, 1986

	1986 ($000's)	1985 ($000's)
Balance, beginning of year	51,117	42,608
Net income for the year	9,632	8,509
Balance, end of year	60,749	51,117

See accompanying notes to financial statements.

ONTARIO DEVELOPMENT CORPORATION

Notes to Financial Statements
March 31, 1986

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Loans receivable

Loans are disbursed by the Ontario Development Corporation, Northern Ontario Development Corporation and Eastern Ontario Development Corporation under the Development Corporations Act.

Under the Act, the Corporations are authorized to act as agents for the Province in respect of programs, projects or other matters undertaken for the advancement of industrial or economic development.

In accordance with the Act, all loan agreements have been drawn up between the borrowers and the Ontario Development Corporation. For financial statement purposes, the loans are shown as receivable from borrowers by each of the disbursing Corporations.

(b) Loans written off

The write off of loans is matched by corresponding reductions in advances from the Province. In 1986, as directed by the Province, all amounts deemed uncollectible were written off.

(c) Guaranteed loans paid

The honouring of guarantees is funded by the Province and therefore, no provision is made.

(d) Recoveries of loans written off and guarantees honoured

Any amounts recovered on loans previously written off and on guarantees previously honoured are paid directly to the Province and are not reflected in the Statement of Operations.

(e) Revenue

Interest revenue is recognized as income using the accrual basis of accounting except in the case of loans where the receipt of interest is deferred for one year or more. For these loans, revenue is recognized as income on receipt.

(f) Deferred revenue

Interest accrued on loans for which repayment has been deferred (see note 1(e) above) is recorded as deferred revenue until such time as interest is actually received.

(g) Fixed Assets

Equipment purchases are charged to expense in the year of acquisition, except for the Industrial Parks operations, for which all such amounts are capitalized. Depreciation of these fixed assets is provided for on a straight-line basis, using rates of from 5 to 20 per cent per annum for building and improvements, and 20 per cent per annum for equipment.

(h) Long term investments

The Corporation accounts for long term investments on the cost basis.

(i) Administration expenses

These expenses are reflected on a cash basis which is modified to allow an additional 24 days to pay for goods and services pertaining to the fiscal period just ended.

2. RETROACTIVE CHANGE IN ACCOUNTING POLICY

(a) With regard to the long term investment in Allelix Inc. (see note 4) there has been a change in the accounting for payments made towards operating costs. Formerly, these payments were capitalized and reported as long term investments because these payments carried rights to acquire equity shares at a nominal cost. These payments are now accounted for as grants and are recovered from the Province. The effect of this change on the current year's operations has been to reduce both long term investments and advances from the Province by $4.7 million and to increase both expense and recoveries from the Province by $4.7 million.

This change has been applied retroactively to previously reported balances, resulting in a reduction in long term investments and in advances from the Province of $5 million (1985 — $2.9 million; pre 1985 — $2.1 million), and a corresponding increase in expense and in recoveries from the Province.

(b) The Corporation receives transfer payments from the Province which are disbursed as conditional loans. These loans were previously recorded as loans receivable and as deferred revenue because the loan agreements contained provisions for deferred repayment or forgiveness. These loans are now considered as assets administered in trust for the Province. Any repayment of the loans will be returned to the Province as a recovery of prior year expenditures. Any interest received from the borrowers will continue to be recorded as revenue when received by the Corporation.

The effect of this change is to reduce loans receivable and deferred revenue by $7.5 million. This change has been applied retroactively to balances previously reported in 1985 resulting in a reduction of $7.5 million to both loans receivable and deferred revenue. See also note 3.

ONTARIO DEVELOPMENT CORPORATION

Notes to Financial Statements — Continued
March 31, 1986

3. LOANS RECEIVABLE

	1986 ($000's)	1985 ($000's)
Term	111,137	117,437
Agency	69,505	55,952
	180,642	173,389

Agency loans represent loans approved and funded through programs of other provincial ministries and agencies, but the agreements are signed and administered on their behalf by the Corporation. Included in Agency loans is a loan of $15 million to Canada Development Corporation and John Labatt Limited for the construction of research facilities for Allelix Inc. (note 4). The borrowers may transfer title of these facilities to the Corporation in lieu of the repayment of the principal and interest due on March 31, 1992.

In addition, the Corporation administers loan agreements signed by other ministries and therefore not reflected in the financial statements of the Corporation. In 1986, there were 33 such loans amounting to $26.6 million.

Also not reflected in the financial statements are transfer payments received from the Province which have been disbursed as conditional loans (see note 2(b)). Details of transactions relating to these loans are as follows:

	1986 ($000's)	1985 ($000's)
Loans outstanding, beginning of year	7,500	—
Add: loans disbursed	—	7,500
Less: loans forgiven	—	—
Loans outstanding, end of year	7,500	7,500

4. LONG TERM INVESTMENTS

(a) Allelix Inc.

The Corporation owns a 20 per cent equity interest in Allelix Inc., a joint venture with the Canada Development Corporation (50 per cent) and John Labatt Ltd. (30 per cent), which conducts pure and applied research in industrial and agricultural applications of biotechnology. As a condition of this investment each shareholder contributes towards the operating costs in the ratio of his investment. The Corporation's share to date was $9.7 million.

The investment consists of 200 common shares, at cost — $200 and 47,000 redeemable preference shares, at cost — $470.

(b) HSA Systems Inc.

The Corporation owns a 35 per cent equity interest in HSA Systems Inc. having a cost of $262,500. The operations of this corporation have been wound down and no proceeds realized. The Province will reimburse the Corporation for any losses incurred.

5. FIXED ASSETS

Fixed assets relate primarily to the Industrial Parks and are stated at acquisition cost, less accumulated depreciation as follows:

	1986			1985
	Cost	Accumulated Depreciation	Net	Net
	($000's)	($000's)	($000's)	($000's)
Land	341	—	341	341
Sheridan Park Land	226	—	226	223
Buildings and improvements	11,495	8,481	3,014	3,243
Equipment	787	616	171	146
	12,849	9,097	3,752	3,953

ONTARIO DEVELOPMENT CORPORATION

Notes to Financial Statements — Concluded
March 31, 1986

6. INDUSTRIAL PARKS OPERATIONS

	1986 ($000's)	1985 ($000's)
Revenues from rent, utility charges and interest	4,234	4,081
Less: operating expenses	1,933	2,010
depreciation	898	832
Net income	1,403	1,239

7. ADMINISTRATION

The cost of administration is borne by the Province through the Ministry of Industry, Trade and Technology (MITT). Details of administration expenses are as follows:

	1986 ($000's)	1985 ($000's)
Salaries and staff benefits	4,705	4,483
Transportation and communication	328	306
Services	410	375
Supplies and equipment	220	244
Total expenses reimbursed by the Province	5,663	5,408
Other expenses	—	25
	5,663	5,433

8. RECOVERIES FROM THE PROVINCE

The Province reimburses the Corporation for interest expense where the cost of funds exceeds interest charged on a loan, for administration expenses (note 7), for term loans written off, for guarantees honoured, for guarantee interest subsidies and for grants.

9. CONTINGENT LIABILITIES

(a) As at March 31, 1986 contingent liabilities arising from guarantees of bank loans and other guarantees amounted to $63.2 million (1985 — $65.4 million).

(b) A legal action claiming damages of $4.5 million, plus interest has been instituted against the Corporation and others by a former shareholder of Minaki Lodge Resort Ltd. and Minaki Development Company Limited. Legal counsel of the Corporation is of the opinion that the claim is without merit.

10. COMMITMENTS

Loans committed but not disbursed as at March 31, 1986 amounted to $57 million (1985 — $50.7 million). In connection with the investment in Allelix Inc. there is a commitment for additional research contributions of $5.3 million to be financed by MITT.

11. SUBSEQUENT EVENTS

(a) On May 9, 1986, the Corporation, acting as agent for the Province, entered into agreements and acquired equity interests for no consideration as part of a restructuring of Massey Ferguson Ltd.

(b) On July 1, 1986, the Corporation assumed responsibility for the seven subsidiaries of the IDEA Corporation. These subsidiaries held investments and commitments which have a value yet to be determined by the Corporation.

(c) On September 15, 1986, the Innovation Ontario Corporation was established by regulation under the Development Corporations Act as an agency of MITT. Administrative support services will be provided by the Corporation and MITT. Program costs are estimated at $5.3 million for fiscal 1986-87.

12. COMPARATIVE FIGURES

Certain of the 1985 figures have been reclassified to conform with the 1986 financial statement presentation.

EASTERN ONTARIO DEVELOPMENT CORPORATION

Balance Sheet
as at March 31, 1986

Assets

	1986 ($000's)	1985 ($000's)
Cash	1,165	—
Accounts receivable — Province	596	1,787
Loans receivable (note 3)	57,023	67,284
Total assets	58,784	69,071

Liabilities

Bank overdraft	—	963
Accounts payable — Ontario Development Corporation	8,037	8,420
Advances from the Province	43,713	53,357
Deferred revenue	241	167
Total liabilities	51,991	62,907

Retained Earnings

Retained earnings	6,793	6,164
Total liabilities and retained earnings	58,784	69,071

See accompanying notes to financial statements.

On behalf of the Board:

Chairman Director

To the Eastern Ontario Development Corporation and
to the Minister of Industry, Trade and Technology.

I have examined the balance sheet of the Eastern Ontario Development Corporation as at March 31, 1986 and the statements of operations and retained earnings for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Corporation as at March 31, 1986 and the results of its operations for the year then ended in accordance with the accounting policies described in note 1 to the financial statements applied, after giving retroactive effect to the change in accounting policy described in note 2 to the financial statements, on a basis consistent with that of the preceding year.

In accordance with section 24 of the Development Corporations Act, a joint report on the audit has been made to the Development Corporations and to the Minister.

J. F. Otterman

J. F. Otterman, F.C.A.,
Assistant Provincial Auditor.

Toronto, Ontario
September 26, 1986.

EASTERN ONTARIO DEVELOPMENT CORPORATION

Statement of Operations
for the year ended March 31, 1986

	1986 ($000's)	1985 ($000's)
Revenue		
Interest	5,034	5,210
Expense		
Interest on advances	5,691	6,298
Loans written off and guarantees honoured		
— Term	4,585	2,153
— Agency	700	—
Non-recoverable interest written off	254	—
Guarantee interest subsidy	816	464
Administration (note 4)	554	498
	12,600	9,413
Loss before recoveries from the Province	7,566	4,203
Recoveries from the Province (note 5)	8,195	5,115
Net income for the year	629	912

Statement of Retained Earnings
for the year ended March 31, 1986

	1986 ($000's)	1985 ($000's)
Balance, beginning of year	6,164	5,252
Net income for the year	629	912
Balance, end of year	6,793	6,164

See accompanying notes to financial statements.

EASTERN ONTARIO DEVELOPMENT CORPORATION

Notes to Financial Statements
March 31, 1986

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Loans receivable
Loans are disbursed by the Ontario Development Corporation, Northern Ontario Development Corporation and Eastern Ontario Development Corporation under the Development Corporations Act.

Under the Act, the Corporations are authorized to act as agents for the Province in respect of programs, projects or other matters undertaken for the advancement of industrial or economic development.

In accordance with the Act, all loan agreements have been drawn up between the borrowers and the Ontario Development Corporation. For financial statement purposes, the loans are shown as receivable from borrowers by each of the disbursing Corporations.

(b) Loans written off
The write off of loans receivable is recovered from the Province by corresponding reductions in advances from the Province. In 1986, as directed by the Province, all amounts deemed uncollectible were written off.

(c) Guaranteed loans paid
The honouring of guarantees is funded by the Province and therefore, no provision is made.

(d) Recoveries of loans written off and guarantees honoured
Any amounts recovered on loans previously written off and on guarantees previously honoured are paid directly to the Province and are not reflected in the Statement of Operations.

(e) Revenue
Interest revenue is recognized as income using the accrual basis of accounting except in the case of loans where the receipt of interest is deferred for one year or more. For these loans, revenue is recognized as income on receipt.

(f) Deferred revenue
Interest accrued on loans for which repayment has been deferred (see note 1(e) above) is recorded as deferred revenue until such time as interest is actually received.

(g) Fixed assets
Equipment purchases are charged to expense in the year of acquisition.

(h) Administration expenses
These expenses are reflected on a cash basis which is modified to allow an additional 24 days to pay for goods and services pertaining to the fiscal period just ended.

2. RETROACTIVE CHANGE IN ACCOUNTING POLICY

The Corporation receives transfer payments from the Province which are disbursed as conditional loans. These loans were previously recorded as loans receivable and as deferred revenue because the loan agreements contained provisions for deferred repayment or forgiveness. These loans are now considered as loans administered in trust for the Province. Any repayment of the loans will be returned to the Province as a recovery of prior year expenditures. Any interest received from the borrowers will continue to be recorded as revenue when received by the Corporation.

The effect of this change is to reduce loans receivable and deferred revenue by $5.2 million.

This change has been applied retroactively to balances previously reported in 1985 resulting in a reduction of $6.7 million to both loans receivable and deferred revenue. See also note 3.

3. LOANS RECEIVABLE

	1986 ($000's)	1985 ($000's)
Term	53,179	63,271
Agency	3,844	4,013
	57,023	67,284

Agency loans represent loans approved and funded through programs of other provincial ministries and agencies, but the agreements are signed and managed on their behalf by the Corporation.

Not reflected in the financial statements are transfer payments received from the Province which have been disbursed as conditional loans (See note 2). Details of transactions relating to these loans are as follows:

EASTERN ONTARIO DEVELOPMENT CORPORATION

Notes to Financial Statements — Concluded
March 31, 1986

	1986 ($000's)	1985 ($000's)
Loans outstanding, beginning of year	6,714	6,272
Add: loans disbursed	871	1,365
Less: loans forgiven	(2,382)	(923)
Loans outstanding, end of year	5,203	6,714
Cash yet to be disbursed as loans	—	39

4. ADMINISTRATION

The cost of administration is borne by the Province through the Ministry of Industry, Trade and Technology. Details of administration expenses are as follows:

	1986 ($000's)	1985 ($000's)
Salaries and staff benefits	424	359
Transportation and communication	101	96
Services	18	31
Supplies and equipment	11	12
	554	498

5. RECOVERIES FROM THE PROVINCE

The Province reimburses the Corporation for interest expense where the cost of funds exceeds interest charged on a loan, for administration expenses (note 4), for term loans written off, for guarantees honoured, and for guarantee interest subsidies.

6. CONTINGENT LIABILITIES

As at March 31, 1986 contingent liabilities arising from guarantees of bank loans and other guarantees amounted to $20.4 million (1985 — $18 million).

7. COMMITMENTS

Loans committed but not disbursed as at March 31, 1986 amounted to $8.3 million (1985 — $9.2 million).

8. COMPARATIVE FIGURES

Certain of the 1985 figures have been reclassified to conform with the 1986 financial statement presentation.

NORTHERN ONTARIO DEVELOPMENT CORPORATION

Balance Sheet
as at March 31, 1986

	1986 ($000's)	1985 ($000's)
Assets		
Cash	582	—
Accounts receivable		
— Province	290	731
— Other	156	82
Loans receivable (note 3)	51,987	58,441
Other assets (note 4)	711	781
Total assets	53,726	60,035
Liabilities		
Bank overdraft	—	245
Accounts payable — Ontario Development Corporation	851	2,024
Advances from the Province	46,137	51,520
Deferred revenue	236	253
Total liabilities	47,224	54,042
Retained Earnings		
Retained earnings	6,502	5,993
Total liabilities and retained earnings	53,726	60,035

See accompanying notes to financial statements.

On behalf of the Board:

Chairman

Director

To the Northern Ontario Development Corporation and
to the Minister of Industry, Trade and Technology.

I have examined the balance sheet of the Northern Ontario Development Corporation as at March 31, 1986 and the statements of operations and retained earnings for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Corporation as at March 31, 1986 and the results of its operations for the year then ended in accordance with the accounting policies described in note 1 to the financial statements applied, after giving retroactive effect to the change in accounting policy described in note 2 to the financial statements, on a basis consistent with that of the preceding year.

In accordance with section 24 of the Development Corporations Act, a joint report on the audit has been made to the Development Corporations and to the Minister.

J. F. Otterman

J. F. Otterman, F.C.A.,
Assistant Provincial Auditor.

Toronto, Ontario,
September 26, 1986.

NORTHERN ONTARIO DEVELOPMENT CORPORATION

Statement of Operations
for the year ended March 31, 1986

	1986 ($000's)	1985 ($000's)
Revenue		
Interest	4,696	4,433
Rental income	27	—
	4,723	4,433
Expense		
Interest on advances	5,402	5,768
Loans written off and guarantees honoured		
— Term	3,316	1,143
— Agency	200	—
Non-recoverable interest written off	54	—
Guarantee interest subsidy	558	380
Administration (note 5)	937	877
	10,467	8,168
Loss before recoveries from the Province	5,744	3,735
Recoveries from the Province (note 6)	6,253	4,330
Net income for the year	509	595

Statement of Retained Earnings
for the year ended March 31, 1986

	1986 ($000's)	1985 ($000's)
Balance, beginning of year	5,993	5,398
Net income for the year	509	595
Balance, end of year	6,502	5,993

See accompanying notes to financial statements.

NORTHERN ONTARIO DEVELOPMENT CORPORATION

Notes to Financial Statements
March 31, 1986

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Loans receivable

Loans are disbursed by the Ontario Development Corporation, Northern Ontario Development Corporation and Eastern Ontario Development Corporation under the Development Corporations Act.

Under the Act, the Corporations are authorized to act as agents for the Province in respect of programs, projects or other matters undertaken for the advancement of industrial or economic development.

In accordance with the Act, all loan agreements have been drawn up between the borrowers and Ontario Development Corporation. For financial statement purposes, the loans are shown as receivable from borrowers by each of the disbursing Corporations.

(b) Loans written off

The write off of loans receivable is recovered from the Province by corresponding reductions in advances from the Province. In 1986, as directed by the Province, all amounts deemed uncollectible were written off.

(c) Guaranteed loans paid

The honouring of guarantees is funded by the Province and therefore, no provision is made.

(d) Recoveries of loans written off and guarantees honoured

Any amounts recovered on loans previously written off and on guarantees previously honoured are paid directly to the Province and are not reflected in the Statement of Operations.

(e) Revenue

Interest revenue is recognized as income using the accrual basis of accounting except in the case of loans where the receipt of interest is deferred for one year or more. For these loans, revenue is recognized as income on receipt.

(f) Deferred revenue

Interest accrued on loans for which repayment has been deferred (see note 1(e) above) is recorded as deferred revenue until such time as interest is actually received.

(g) Fixed assets

Equipment purchases are charged to expense in the year of acquisition. Buildings acquired as a result of loan defaults by borrowers (see note 4) are capitalized and are depreciated on a straight-line basis at the rate of 5 per cent per annum.

(h) Administration expenses

These expenses are reflected on a cash basis which is modified to allow an additional 24 days to pay for goods and services pertaining to the fiscal period just ended.

2. RETROACTIVE CHANGE IN ACCOUNTING POLICY

The Corporation receives transfer payments from the Province which are disbursed as conditional loans. These loans were previously recorded as loans receivable and as deferred revenue because the loan agreements contained provisions for deferred repayment or forgiveness. These loans are now considered as loans administered in trust for the Province. Any repayment of the loans will be returned to the Province as a recovery of prior year expenditures. Any interest received from the borrowers will continue to be recorded as revenue when received by the Corporation.

The effect of this change is to reduce loans receivable and deferred revenue by $8.1 million.

This change has been applied retroactively to balances previously reported in 1985 resulting in a reduction of $4.6 million to both loans receivable and deferred revenue. See also note 3.

3. LOANS RECEIVABLE

	1986 ($000's)	1985 ($000's)
Term	50,711	55,864
Agency	1,276	2,577
	51,987	58,441

Agency loans represent loans approved and funded through programs of other provincial ministries and agencies, but the agreements are signed and managed on their behalf by the Corporation.

Not reflected in the financial statements are transfer payments received from the Province which have been disbursed as conditional loans (See note 2). Details of transactions relating to these loans are as follows:

NORTHERN ONTARIO DEVELOPMENT CORPORATION

Notes to Financial Statements — Concluded
March 31, 1986

	1986 ($000's)	1985 ($000's)
Loans outstanding, beginning of year	4,588	2,619
Add: loans disbursed	4,708	2,562
Less: loans forgiven	(1,173)	(593)
Loans outstanding, end of year	8,123	4,588
Cash yet to be disbursed as loans	1,176	774

4. OTHER ASSETS

Other assets consist of the following assets obtained as a result of loan defaults by borrowers:

	1986 ($000's)	1985 ($000's)
Investment in shares, at cost	301	301
Land and buildings, at 1977 appraised value plus subsequent additions at cost, less accumulated depreciation of $56,000	75	132
Net investment in lease	335	348
	711	781

5. ADMINISTRATION

The cost of administration is borne by the Province through the Ministry of Industry, Trade and Technology. Details of administration expenses are as follows:

	1986 ($000's)	1985 ($000's)
Salaries and staff benefits	610	557
Transportation and communication	199	174
Services	63	106
Supplies and equipment	6	19
Total expenses reimbursed by the Province	878	856
Other expenses	59	21
	937	877

6. RECOVERIES FROM THE PROVINCE

The Province reimburses the Corporation for interest expense where the cost of funds exceeds interest charged on a loan, for administration expenses (note 5), for term loans written off, guarantees honoured, and for guarantee interest subsidies.

7. CONTINGENT LIABILITIES

(a) As at March 31, 1986 contingent liabilities arising from guarantees of bank loans and other guarantees amounted to $19 million (1985 — $16.8 million).

(b) A legal action claiming damages of $4.5 million plus interest has been instituted against the Corporation and others by a former shareholder of Minaki Lodge Resort Ltd. and Minaki Development Company Limited. Legal counsel of the Corporation is of the opinion that the claim is without merit.

8. COMMITMENTS

Loans committed but not disbursed as at March 31, 1986 amounted to $8 million (1985 — $8.9 million).

9. TRANSFER OF WHOLLY OWNED SUBSIDIARIES

During the fiscal year all of the outstanding shares of Minaki Lodge Resort Ltd. and of Minaki Development Company Limited were transferred from the Corporation to the Ministry of Tourism and Recreation for no consideration.

10. COMPARATIVE FIGURES

Certain of the 1985 figures have been reclassified to conform with the 1986 financial statement presentation.

FARM INCOME STABILIZATION COMMISSION OF ONTARIO

Balance Sheet
as at March 31, 1986

ASSETS

	1986	1985
	$	$
Cash, including short term deposits	14,304,452	12,085,902
Accounts receivable (note 4)	13,267	38,504
	14,317,719	12,124,406

LIABILITIES

Farmers' enrollment fees, including interest income (Schedule 1) (note 3)	11,156,887	8,419,523
Goverment subsidies (Schedule 2) (note 3)	3,160,832	3,704,883
	14,317,719	12,124,406

See accompanying schedules and notes to financial statements.

On behalf of the Commission:

Chairman

Member

To the Farm Income Stabilization Commission of Ontario and
to the Minister of Agriculture and Food.

I have examined the balance sheet of the Farm Income Stabilization Commission of Ontario as at March 31, 1986 and the statement of receipts and disbursements for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Commission as at March 31, 1986 and its receipts and disbursements in accordance with the accounting policies described in note 1 to the financial statements applied on a basis consistent with that of the preceding year.

In accordance with section 14 of the Farm Income Stabilization Act, a report on the audit has been made to the Commission and to the Minister.

Toronto, Ontario,
July 11, 1986.

D. F. Archer, F.C.A.,
Provincial Auditor.

FARM INCOME STABILIZATION COMMISSION OF ONTARIO

Statement of Receipts and Disbursements for the year ended March 31, 1986

	1986 $	1985 $
Receipts:		
Subsidies from the Province of Ontario		
1982-84:		
Soybean	1,360,000	—
Winter Wheat		750,000
1980-85:		
Weaner Pig	—	3,900,000
1983-87:		
Apples	610,000	—
	1,970,000	4,650,000
Interest income	313,351	398,257
Interest on outstanding fees (note 4)	8,060	29,558
Farmers' enrollment fees, including interest income (note 3)	11,161,661	2,952,042
	13,453,072	8,029,857
Disbursements:		
Stabilization payments (note 5):		
1979-1981:		
Corn	—	62,715
Soybean	—	1,785
1982-1984:		
Soybean	3,171,951	343,083
Winter Wheat	36,486	944,445
Barley	4,797	31,089
Corn	343,416	4,791,891
White Bean	2,565	24,246
1980-1985:		
Weaner Pig	1,134	5,480,331
1983-1987:		
Apples	707,319	—
	4,267,668	11,679,585
Refunds of 1979-81 farmers' fees balance	—	244,604
Refunds of 1980-84 farmers' fees balance	3,201,198	—
Refunds of 1980-85 farmers' fees balance	2,071,819	274,643
Transfers to 1985-88 grain plan	1,693,837	—
	11,234,522	12,198,832
Excess (Deficiency) of receipts over disbursements	2,218,550	(4,168,975)
Cash, including short term deposits, beginning of year	12,085,902	16,254,877
Cash, including short term deposits, end of year	14,304,452	12,085,902

See accompanying schedules and notes to financial statements.

FARM INCOME STABILIZATION COMMISSION OF ONTARIO

SCHEDULE 1

Schedule of Farmers' Enrollment Fee Balances by Plan as at March 31, 1986

Stabilization Plan	Balance April 1, 1985	Fees	Interest	Sub Total	Share of Payments	Refunds and Transfers to New Plan	Balance March 31, 1986
	$	$	$	$	$	$	$
(note 3)		(note 3)					
1982-84							
Soybean	1,519,494	—	68,004	68,004	1,057,317	530,181	
Winter Wheat	461,062	—	18,005	18,005	12,162	466,905	—
Barley	228,191	—	8,992	8,992	1,599	235,584	—
Corn	3,395,386	—	152,596	152,596	114,472	3,433,510	—
White Bean	220,569	—	9,141	9,141	855	228,855	—
	5,824,702	—	256,738	256,738	1,186,405	4,895,035	—
1980-1985							
Weaner Pig	2,072,147	—	50	50	378	2,071,819	—
1983-1987							
Apples	522,674	409,123	49,134	458,257	235,773	—	745,158
1985-1988							
Grain Plan	—	10,069,293	342,436	10,411,729	—	—	10,411,729
	8,419,523	10,478,416	648,358	11,126,774	1,422,556	6,966,854	11,156,887

See accompanying schedules and notes to financial statements.

FARM INCOME STABILIZATION COMMISSION OF ONTARIO

SCHEDULE 2

Schedule of Government Subsidies
for the year ended March 31, 1986

	1986 $	1985 $
Ontario Soybean Stabilization Plan, 1982-1984:		
Balance, beginning of year	391,487	620,209
Subsidy from Province of Ontario	1,360,000	—
Transfer from reserve and other credits	1,340,000	—
	2,700,000	—
Stabilization payments	3,171,951	343,083
Less farmers' share (⅓)	1,057,317	114,361
	2,114,634	228,722
Transfer to reserve and other credits	378,845	—
Balance, end of year	598,008	391,487
Ontario Winter Wheat Stabilization Plan, 1982-1984:		
Balance, beginning of year	120,370	—
Subsidy from Province of Ontario	—	750,000
Stabilization payments	36,486	944,445
Less farmers' share (⅓)	12,162	314,815
	24,324	629,630
Balance, end of year	96,046	120,370
Ontario Barley Stabilization Plan, 1982-1984:		
Balance, beginning of year	26,692	47,418
Subsidy from Province of Ontario	—	—
Stabilization payments	4,797	31,089
Less farmers' share (⅓)	1,599	10,363
	3,198	20,726
Transfer to reserve and other credits	23,494	—
Balance, end of year	—	26,692
Ontario Corn Stabilization Plan, 1982-1984:		
Balance, beginning of year	1,112,283	4,306,877
Subsidy from Province of Ontario	—	—
Stabilization payments	343,416	4,791,891
Less farmers' share (⅓)	114,472	1,597,297
	228,944	3,194,594
Transfer to reserve and other credits	881,339	—
Balance, end of year	2,000	1,112,283

FARM INCOME STABILIZATION COMMISSION OF ONTARIO

Schedule of Government Subsidies — Continued
for the year ended March 31, 1986

	1986 $	1985 $
Ontario White Bean Stabilization Plan, 1982-1984:		
Balance, beginning of year	139,204	155,368
Subsidy from Province of Ontario	—	—
Stabilization payments	2,565	24,246
Less farmers' share (⅓)	855	8,082
	1,710	16,164
Transfer to reserve and other credits	137,494	—
Balance, end of year	—	39,204
Ontario Weaner Pig Stabilization Plan, 1980-1985:		
Balance, beginning of year	1,000	(478)
Subsidy from Province of Ontario	—	3,900,000
Stabilization payments	1,134	5,480,331
Less farmers' share (⅓)	378	1,826,777
	756	3,653,554
Transfer to reserve and other credits	244	244,968
Balance, end of year	—	1,000
Ontario Apple Stabilization Plan, 1983-1987:		
Balance, beginning of year	—	—
Subsidy from Province of Ontario	610,000	—
Transfer from reserve and other credits	570,000	—
	1,180,000	—
Stabilization payments	707,319	—
Less farmers' share (⅓)	235,773	—
	471,546	—
Balance, end of year	708,454	—
Transfers to and from Reserve and Other Credits:		
Balance, beginning of year	1,913,847	694,304
Transfers to subsidize stabilization plan payments:		
1982-1984 Soybean Stabilization Plan	(1,340,000)	—
1983-1987 Apple Stabilization Plan	(570,000)	—
Transfers from expired plans:		
1979-1981 Corn Stabilization Plan	—	300,013
1979-1981 Soybean Stabilization Plan	—	173,086
1980-1985 Weaner Pig Stabilization Plan	244	244,968
1982-1984 Soybean Stabilization Plan	378,845	—
1982-1984 Barley Stabilization Plan	23,494	—
1982-1984 Corn Stabilization Plan	881,339	—
1982-1984 White Bean Stabilization Plan	137,494	—
Interest income	313,351	398,257
Other income	17,710	—
Over provision for bad debts	—	103,219
Balance, end of year	1,756,324	1,913,847
TOTAL	3,160,832	3,704,883

FARM INCOME STABILIZATION COMMISSION OF ONTARIO

Notes to Financial Statements
March 31, 1986

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

The Commission uses a cash basis of accounting except for the following modifications:

(i) For government subsidies, an additional thirty days is allowed for the receipt of subsidies pertaining to the fiscal year just ended.

(ii) An allowance for doubtful accounts has been established as discussed in note 4.

2. ADMINISTRATION EXPENSES

Certain expenses such as salaries, benefits and other administration expenses, absorbed by the Ministry of Agriculture and Food are not included. Administration expenses of the prior year have not been disclosed to conform with the 1986 presentation.

3. FARM INCOME STABILIZATION PLANS

Farm income stabilization plans are established by regulations under the Farm Income Stabilization Act. These voluntary plans are designed to stabilize the income of Ontario farmers in periods of low market prices. Federal stabilization support payments are made for the difference between the current market price and 90 per cent of the five-year average market price as adjusted for changes in cash costs of production. On the same basis, provincial plans support prices between 90 and 95 per cent of the five year average price.

Fees are normally collected in advance except as discussed in note 4 and are set at a level sufficient to cover approximately one-third of the stabilization support payments in accordance with the provisions of section 6(3) of the Farm Income Stabilization Act. The Province of Ontario provides the other two-thirds.

Upon termination of each plan, moneys standing to the credit of farmers including any interest thereon was either refunded and or applied against 1985-88 grain plan enrollment fees. Voluntary stabilizaton plans exist for apples and grain which includes five commodities, barley, corn, soybeans, white beans and winter wheat.

4. ONTARIO WEANER PIG STABILIZATION PLAN, 1980-1985

The Government of Ontario developed this five year plan to help stabilize the incomes of many of the province's pork producers. The plan functions in the manner as discussed in Note 3, with one exception. When the plan was first instituted, in order to pay the producers the maximum amount possible under the regulations when stabilization support payments were declared, the difference between the farmers' one-third share of the stabilization support payments and their prepaid registration fees was not deducted from the stabilization support payments but rather was recorded as an accounts receivable. While the Commission is endeavouring to recover the advances including interest charged in prior years, a reserve for doubtful accounts of $89,575 has been reflected in the Commission's accounts as at March 31, 1986 (1985 - $107,000).

5. STABILIZATION PAYMENTS

Stabilization payments have been made during the year under the following plans:

Plan	Sales Year	Claim Application Deadline
Corn, Soybean and White Bean Stabilization Plans, 1982-1984	1982	August 31, 1985
Barley Stabilization Plan, 1982-1984	1982	July 31, 1985
Winter Wheat Stabilization Plan, 1982-1984	1983	June 30, 1986
Soybean Stabilization Plan, 1982-1984	1984	August 31, 1987
Apple Stabilization Plan, 1983-1987	1983	June 30, 1986

IDEA CORPORATION

Audited Financial Statements for the year ended March 31, 1986 were not available at date of printing.

LIQUOR CONTROL BOARD OF ONTARIO

Balance Sheet
as at March 31, 1986

Assets

	1986 ($'000)	1985 ($'000)
Current		
Cash	8,959	20,139
Accounts receivable, trade and others	3,932	2,862
Inventories, at cost	158,812	186,272
Prepaid expenses	646	958
	172,349	210,231

Liabilities and Retained Income

Current		
Accounts payable and accrued liabilities	107,726	120,181
Retained income	64,623	90,050
	172,349	210,231

See accompanying notes to financial statements.

Approved:

Chairman

Executive Vice-President, Finance

To the Liquor Control Board of Ontario and
to the Minister of Consumer and Commercial Relations.

I have examined the balance sheet of the Liquor Control Board of Ontario as at March 31, 1986 and the statements of income and retained income for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Board as at March 31, 1986 and the results of its operations for the year then ended in accordance with the accounting policy described in note 1 to the financial statements applied on a basis consistent with that of the preceding year.

A report on the audit will be made to the Board and to the Minister.

Toronto, Ontario,
August 29, 1986.

D.F. Archer, F.C.A.,
Provincial Auditor.

LIQUOR CONTROL BOARD OF ONTARIO

Statement of Income
year ended March 31, 1986

	1986 ($'000)	1985 ($'000)
Sales	1,646,814	1,599,337
Cost of sales	843,992	821,552
Gross Income	802,822	777,785
Operating expenses		
Salaries and employee benefits	141,828	131,886
Rent	16,540	15,402
Fixed assets	7,680	7,176
Store supplies and expenses	4,769	4,226
Utilities	4,525	4,237
Grants in lieu of taxes	4,114	4,016
Repairs and maintenance	3,790	3,394
Office supplies and expenses	3,131	2,216
Communication and travelling	2,081	1,910
Stock breakage and losses	1,900	1,472
Bank charges	1,246	1,013
Armoured car services	1,126	1,140
Agency commissions and expenses	1,014	996
Other	2,586	1,779
	196,330	180,863
Operating income	606,492	596,922
Other income		
Special occasion permit purchase fees	4,281	3,618
Interest on bank balances	211	2,140
Miscellaneous income	1,589	1,602
	6,081	7,360
Net income for the year	612,573	604,282

Statement of Retained Income
year ended March 31, 1986

	1986 ($'000)	1985 ($'000)
Balance, beginning of year	90,050	87,768
Add net income for the year	612,573	604,282
	702,623	692,050
Deduct payments to the Treasurer of Ontario on account of net income	638,000	602,000
Balance, end of year	64,623	90,050

See accompanying notes to financial statements.

LIQUOR CONTROL BOARD OF ONTARIO

Notes to Financial Statements
March 31, 1986

1. ACCOUNTING POLICY

The Board's financial statements are prepared in accordance with generally accepted accounting principles except for fixed assets which are written off to operations at the time of acquisition and carried on the books at a nominal value of $1.

2. SELF-INSURANCE

The Board follows the policy of self-insuring its store assets for property damage such as fire, water and vandalism or theft.

3. FIXED ASSETS

The total accumulated costs of fixed assets at year end, less disposals, are as follows:

	1986 ($'000)	1985 ($'000)
Land	14,163	13,915
Buildings	155,726	152,243
Furniture and equipment	12,898	11,629
Leasehold improvements	13,755	11,605
	196,542	189,392

4. LEASE COMMITMENTS

The Board is committed under operating leases on leased premises with future minimum rental payments due as follows:

	($'000)
1987	11,258
1988	10,039
1989	8,568
1990	7,202
1991	5,639
Thereafter	11,693
	54,399

5. COMPARATIVE FIGURES

Comparative figures have been reclassified where necessary to conform with 1986 presentation.

THE NIAGARA PARKS COMMISSION STATEMENT 1

Balance Sheet
as at October 31, 1985

ASSETS

	1985 $	1984 $ note 4
CURRENT		
Cash	11,224,994	7,820,987
Accounts receivable		
Water rentals	1,390,059	1,265,369
Sundry	433,205	607,112
Inventories — note 1(a)		
Saleable merchandise	1,610,230	1,340,083
Maintenance and other supplies	350,052	185,143
Prepaid expenses	43,134	29,759
	15,051,674	11,248,453
INVESTMENT OF FUNDS FOR FUTURE CAPITAL PROGRAM		6,898,331
FIXED — notes 1(b) and 2		
Land	4,920,364	4,920,364
Buildings, roadways and structures	36,925,798	27,316,857
Equipment and furnishings	4,648,525	4,263,254
Vehicles	3,636,295	901,071
	50,130,982	37,401,546
Accumulated depreciation	14,812,767	13,843,692
	35,318,215	23,557,854
Capital works in progress	121,304	4,998,455
	35,439,519	28,556,309
	50,491,193	46,703,093

See accompanying notes to financial statements.

On behalf of the Commission:

Chairman

Vice Chairman

THE NIAGARA PARKS COMMISSION STATEMENT 1

Balance Sheet
as at October 31, 1985

LIABILITIES

	1985 $	1984 $
CURRENT		
Accounts payable	2,480,540	2,612,864
Accrued payroll	682,499	416,372
	3,163,039	3,029,236
LONG-TERM INDEBTEDNESS		
Mortgage payable		24,000
EQUITY		
EQUITY (Statement 2)	47,328,154	43,649,857
	50,491,193	46,703,093

To The Niagara Parks Commission and
to the Minister of Tourism and Recreation.

I have examined the balance sheet of The Niagara Parks Commission as at October 31, 1985 and the statements of income and expenditure, equity and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Commission as at October 31, 1985 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

A report on the audit has been made to the Commission and to the Minister.

D.F. Archer

Toronto, Ontario,
January 24, 1986.

D.F. Archer, F.C.A.,
Provincial Auditor.

THE NIAGARA PARKS COMMISSION

STATEMENT 2

Statement of Equity for the Year Ended October 31, 1985

	1985 $	1984 $
EQUITY, BEGINNING OF YEAR	43,649,857	39,103,711
EXCESS OF INCOME OVER EXPENDITURE FOR THE YEAR (Statement 3)	3,678,297	4,546,146
EQUITY, END OF YEAR	47,328,154	43,649,857

STATEMENT 3

Statement of Income and Expenditure for the Year Ended October 31, 1985

	1985 $	1984 $
INCOME		
Water rentals	3,399,946	3,275,057
Privileges, tolls and fees	679,847	659,444
Net income from gift shops, restaurants and attractions, exclusive of any portion of the administrative overhead of the Commission (Schedule 5)	8,479,697	8,149,987
Sundry income	34,362	25,375
Loss on disposal of fixed assets — net	(108,799)	(15,165)
Premium on United States funds — net	191,656	172,497
Interest on bank deposits	961,642	1,161,200
	13,638,351	13,428,395
EXPENDITURE		
Maintenance expenses	7,167,914	6,424,046
Administrative and general expenses	1,651,333	1,483,393
Advertising and public relations	407,852	285,892
Mortgage interest	611	1,418
Bank charges and interest	25,687	19,425
	9,253,397	8,214,174
EXCESS OF INCOME OVER EXPENDITURE FOR THE YEAR BEFORE DEPRECIATION ON NON-INCOME PRODUCING ASSETS	4,384,954	5,214,221
DEPRECIATION OF NON-INCOME PRODUCING ASSETS	706,657	668,075
EXCESS OF INCOME OVER EXPENDITURE FOR THE YEAR	3,678,297	4,546,146

See accompanying notes to financial statements.

THE NIAGARA PARKS COMMISSION
Statement of Changes in Financial Position
for the year ended October 31, 1985

STATEMENT 4

	1985	1984
	$	$
FUNDS WERE PROVIDED BY		
Operations		
Excess of income over expenditure for the year	3,678,297	4,546,146
Charge against income not requiring an outlay of funds — depreciation	1,678,279	1,241,524
Loss on disposal of fixed assets — net	108,799	15,165
	5,465,375	5,802,835
Investment funds for future capital program	6,898,331	315,397
Sale of fixed assets	76,909	29,913
	12,440,615	6,148,145
FUNDS WERE USED FOR		
Purchase of fixed assets and capital works in progress	8,747,197	6,139,048
Payments of long-term indebtedness —		
Mortgage payable	24,000	2,000
	8,771,197	6,141,048
INCREASE IN WORKING CAPITAL	3,669,418	7,097
WORKING CAPITAL, BEGINNING OF YEAR	8,219,217	8,212,120
WORKING CAPITAL, END OF YEAR	11,888,635	8,219,217

SCHEDULE 5

Gift Shops, Restaurants and Attractions

Schedule of Income and Expenditure
for the year ended October 31, 1985

	1985	1984
	$	$
INCOME		
Souvenirs, china and post cards	11,213,466	10,393,490
Food and refreshments	7,312,811	6,791,868
Beer, liquor and wine	991,959	921,129
Confectionery and tobacco	439,824	410,658
Fares and admissions	5,898,867	4,940,461
Rentals	325,373	291,979
Sundry	502,769	443,467
	26,685,069	24,193,052
COST OF GOODS SOLD		
Souvenirs, china and post cards	5,211,131	4,885,292
Food and refreshments	2,114,132	1,867,213
Beer, liquor and wine	309,187	308,947
Confectionery and tobacco	239,657	229,363
Sundry	223,708	188,235
	8,097,815	7,479,050
GROSS PROFIT	18,587,254	16,714,002
OPERATING EXPENDITURE		
Salaries and wages	5,095,876	4,514,232
Employee benefits	454,361	400,536
Fuel, power, water and laundry	506,759	491,879
General expenses	1,032,712	772,897
Maintenance of buildings and equipment	909,950	809,266
Maintenance of grounds	306,098	277,183
Grants in lieu of municipal taxes	365,451	344,585
Distribution Centre expense	464,728	379,988
	9,135,935	7,990,566
NET INCOME BEFORE DEPRECIATION	9,451,319	8,723,436
DEPRECIATION OF BUILDINGS AND EQUIPMENT	971,622	573,449
NET INCOME EXCLUSIVE OF ANY PORTION OF THE ADMINISTRATIVE OVERHEAD OF THE COMMISSION	8,479,697	8,149,987

See accompanying notes to financial statements.

THE NIAGARA PARKS COMMISSION

Notes to Financial Statements for the year ended October 31, 1985

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Inventories

Inventories of saleable merchandise are valued at the lower of cost (first-in, first-out) and net realizable value.

(b) Fixed Assets

All fixed assets are recorded at cost. Depreciation has been recorded on the straight-line method, using rates from 2 to 20 per cent for buildings, roadways and structures, from 10 to 50 per cent for equipment and furnishings and from 8 to 50 per cent for vehicles.

2. FIXED ASSETS

	1985		
	Cost	Accumulated Depreciation	Net Book Value
	$	$	$
Land	4,920,364		4,920,364
Buildings, roadways and structures	36,925,798	11,186,466	25,739,332
Equipment and furnishings	4,648,525	2,904,142	1,744,383
Vehicles	3,636,295	722,159	2,914,136
	50,130,982	14,812,767	35,318,215

	1984		
	Cost	Accumulated Depreciation	Net Book Value
	$	$	$
Land	4,920,364		4,920,364
Buildings, roadways and structures	27,316,857	10,454,934	16,861,923
Equipment and furnishings	4,263,254	2,725,642	1,537,612
Vehicles	901,071	663,116	237,955
	37,401,546	13,843,692	23,557,854

3. TRUST FUNDS

The Commission administers trust funds for the perpetual care of a cemetery plot at Drummond Hill Cemetery. As at October 31, 1985 these funds totalled $6,183 (October 31, 1984 — $5,803). These funds are not included in the financial statements.

4. COMPARATIVE FIGURES

Certain comparative figures on Statement 1 and Schedule 5 have been reclassified to conform with the 1985 presentation.

ONTARIO CENTRE FOR ADVANCED MANUFACTURING

Financial position
March 31, 1986

ASSETS

	1986	1985
	$	$
Cash	391,400	55,022
Accounts receivable, trade	785,948	789,209
Accounts receivable, Province of Ontario	57,620	618,021
Work in process	67,336	261,096
Prepaid expenses	54,697	38,653
Current assets	1,357,001	1,762,001
Fixed Assets (Note 4)	5,788,549	5,571,219
	7,145,550	7,333,220

LIABILITIES

Accounts payable, trade	1,315,369	1,711,961
Deferred revenue	41,632	50,040
Current liabilities	1,357,001	1,762,001

EQUITY

Equity	5,788,549	5,571,219
	7,145,550	7,333,220

The explanatory financial notes form an integral part of these financial statements.

Approved on behalf of the Board

Director

Director

AUDITORS' REPORT

To the Board of Directors of the Ontario Centre for
Advanced Manufacturing and the Honourable Minister of Industry, Trade and Technology.

We have examined the financial position of the Ontario Centre for Advanced Manufacturing as at March 31, 1986 and the statements of operations, equity, and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the corporation as at March 31, 1986 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied, after giving retroactive effect to the change in accounting policy as outlined in Note 6, on a basis consistent with that of the preceding year.

Kelly Graham Myksa & Partners

Cambridge, Ontario
May 14, 1986

Kelly Graham Myksa & Partners
Chartered Accountants

ONTARIO CENTRE FOR ADVANCED MANUFACTURING

Statement of Equity
year ended March 31, 1986

	1986	1985
	$	$
Balance at beginning of year	5,571,219	5,121,673
Contributions for capital assets		
Province of Ontario (Note 1(D) and 5)	1,526,647	1,730,220
Government of Canada (Note 1(E))	495,769	100,000
	7,593,635	6,951,893
Transfer to operations (Note 5)	1,805,086	1,380,674
Balance at end of year	5,788,549	5,571,219

Statement of Operations
year ended March 31, 1986

Revenue		
Consulting revenue	2,506,228	2,026,384
Demonstration project revenue	489,251	
Interest income	73,493	138,211
	3,068,972	2,164,595
Expenditure		
Salaries and benefits	3,954,600	3,081,464
Demonstration project cost	577,982	
Recruiting and relocation	142,522	143,549
Professional and consulting fees	348,593	365,285
Occupancy and office	809,051	679,361
Technology advancement and travel	867,174	743,303
Marketing and communications	736,102	741,581
Workshops, seminars and exhibitions	321,675	232,063
Equipment rental and time sharing	37,354	34,158
Maintenance	468,097	326,517
Depreciation and amortization	1,805,086	1,380,674
Other	126,086	145,888
	10,194,322	7,873,843
Excess of expenditure over revenue	7,125,350	5,709,248
Contributions from the Province of Ontario for operating purposes (notes 1(D) and 5)	7,125,350	5,709,248
	Nil	Nil

The explanatory financial notes form an integral part of these financial statements.

ONTARIO CENTRE FOR ADVANCED MANUFACTURING

Statement of Changes in Financial Position
year ended March 31, 1986

	1986 $	1985 $
Working capital was provided by		
Operations		
Revenue	3,068,972	2,164,595
Contribution from the Province of Ontario for operating purposes	7,125,350	5,709,248
Add (Deduct) items not affecting working capital		
Depreciation and amortization	1,805,086	1,380,674
Transfer from equity	(1,805,086)	(1,380,674)
	10,194,322	7,873,843
Contributions for capital assets		
Province of Ontario	1,526,647	1,730,220
Government of Canada	495,769	100,000
Proceeds from sale of fixed assets	30,607	36,948
	12,247,345	9,741,011
Working capital was used for		
Operations	10,194,322	7,873,843
Additions to fixed assets	2,053,023	1,867,168
	12,247,345	9,741,011

The explanatory financial notes form an integral part of these financial statements.

Explanatory Financial Notes
year ended March 31, 1986

1. SIGNIFICANT ACCOUNTING POLICIES

This summary of the major accounting policies of the corporation is presented in order to assist the reader in evaluating the financial statements contained herein. These policies have been followed in all material respects for the periods covered:

(A) Interest Income

Interest income earned on cash on deposit is recorded on the accrual basis whereby income earned but not received at March 31 is recorded in these financial statements.

This interest income is applied to reduce the annual operating expense allocation from the Province of Ontario during the year.

(B) Investment in Fixed Assets

The acquisition costs of major additions and improvements are capitalized and expenditures for maintenance and repairs which do not improve or extend the useful life of the respective assets are charged to operations.

At the time of disposal or retirement of fixed assets, the cost of the asset and related accumulated depreciation are removed from the accounts and the resulting gain or loss is reflected in the 'depreciation expense' in the statement of operations.

Depreciation and amortization are calculated on a basis designed to amortize the cost of the assets over their estimated economic lives as follows:

Technical equipment	5 year straight-line
Office equipment	5 year straight-line
Furniture and fixtures	5 year straight-line
Leasehold improvements	Term of leases

(C) Recognition of Income

Income and expenditures are recognized and recorded in these financial statements utilizing the accrual method whereby income is recorded when earned and expenditures are recorded when incurred. Revenue received which is unearned is shown as deferred revenue in the statement of fianancial position.

ONTARIO CENTRE FOR ADVANCED MANUFACTURING

Explanatory Financial Notes — Continued
year ended March 31, 1986

SIGNIFICANT ACCOUNTING POLICIES — Concluded

(D) Contributions from the Province of Ontario

The corporation receives funds quarterly in advance for operating and capital purposes from the Province of Ontario.

The operating funds offset current net operating expenditures and accordingly are presented in the statement of operations. The capital funds which relate to the acquisition, net of capital disposals, of high technology equipment and other capital items are presented in the statement of equity and recongized as income as the depreciation on the related assets are charged against operations.

(E) Contributions from the Government of Canada

During fiscal 1985, the corporation entered into an agreement with the Department of Regional and Industrial Expansion (DRIE) of the Federal Government to jointly fund along with the Province of Ontario the corporation's new centre located in Windsor, Ontario.

Operating funds relating to operating expenditures are presented in 'Consulting revenue' in the Statement of Operations and capital funds are included in the Statement of Equity.

(F) Work in Process

Inventory of work in process represents consultants' time and other project costs on client projects at estimated net realizable value.

(G) Pension Plan

Employees become members of the Corporation's pension plan after completing one year of continuous service at which time employer contributions are made retroactive to date of commencement of employment.

The Centre accrues pension costs for employees from the date of their employment regardless of whether or not they have vested with the employee at the year end.

2. BASIS OF OPERATIONS

Effective November 17, 1982, the Ontario Centre for Advanced Manufacturing was established as a Schedule II Crown Agency without share capital by an Act of the Ontario Legislature.

The objective of the corporation is to accelerate the utilization of advanced manufacturing technology through programs promoting both awareness and applications and to encourage the growth of supportive advanced manufacturing industries in order to improve the productivity and competitiveness of Ontario industry and commerce.

In order to accomplish these objectives the corporation has established three operating centres. The Robotics and CAD/CAM Centres were opened in fiscal 1983 and the Windsor Centre was opened in fiscal 1985.

3. COMMITMENTS

The corporation has entered into net-net lease arrangements for its four operating locations in Peterborough, Cambridge, Rexdale and Windsor which require an annualized lease payment of approximately $234,000 ($178,000 in 1985).

The corporation has options to renew these facility leases at negotiated terms and rates.

4. FIXED ASSETS

	1986			1985
	Cost	Accumulated Depreciation	Net	Net
Technical equipment	5,915,082	2,021,910	3,893,172	3,801,234
Office equipment	959,846	268,365	691,481	558,565
Furniture and fixtures	768,621	293,238	475,383	465,139
Leasehold improvements	1,736,393	1,007,880	728,513	746,281
	$9,379,942	$3,591,393	$5,788,549	$5,571,219

ONTARIO CENTRE FOR ADVANCED MANUFACTURING

Explanatory Financial Notes — Concluded
year ended March 31, 1986

5. CONTRIBUTIONS FROM PROVINCE OF ONTARIO

	1986	1985
Total contriburions during year	6,846,911	6,058,794
Transfer from equity	1,805,086	1,380,674
	8,651,997	7,439,468
Amount assigned to capital assets	1,526,647	1,730,220
Contributions to operations for year	$7,125,350	$5,709,248

6. CHANGE IN ACCOUNTING POLICY

In 1986, the corporation adopted retroactively the policy whereby contributions for capital assets are recognized as income in the statement of operations in amounts equal to the depreciation and amortization charged on the related fixed assets.

As a result of this change in policy, the "Contribution from the Province of Ontario for operating purposes" has been increased by $1,805,086 ($1,380,674 in 1985).

7. TECHNOLOGY UPGRADING FOR MANUFACTURERS' PROGRAM

Funds received from the Province of Ontario in the amount of $89,516 under the Technology Upgrading for Manufacturers' program (TUM) on behalf of TUM participants and subsequently disbursed to them are netted for financial statement presentation purposes. Accordingly, these amounts are not presented in the Statement of Operations.

ONTARIO CENTRE FOR AUTOMOTIVE PARTS TECHNOLOGY

STATEMENT 1

Balance Sheet
as at March 31, 1986

ASSETS

	1986 $	1985 $
Current Assets:		
Cash and term deposits	218,737	235,097
Accounts receivable	757,203	470,914
Prepaid expenses	4,337	9,186
	980,277	715,197
Fixed Assets — (Notes 1 and 3):		
Cost	488,457	452,882
Less — Accumulated amortization and depreciation	241,197	149,734
	247,260	303,148
	1,227,537	1,018,345

LIABILITIES

Current Liabilities:		
Accounts payable and accrued liabilities	496,767	307,047
Deferred revenue	81,849	171,733
Payable to Province of Ontario — (Note 2)	401,661	236,417
	980,277	715,197

EQUITY

Reserve for capital assets — Statement 2	247,260	303,148
	1,227,537	1,018,345

See accompanying notes to financial statements.

AUDITORS' REPORT

To The Ontario Centre for Automotive Parts Technology
and the Ministry of Industry, Trade and Technology of
the Province of Ontario.

We have examined the balance sheet of the Ontario Centre for Automotive Parts Technology as at March 31, 1986 and the statements of operations, reserve for capital assets and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Centre as at March 31, 1986 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

St. Catharines, Ontario

TOUCHE ROSS & CO.
Chartered Accountants

ONTARIO CENTRE FOR AUTOMOTIVE PARTS TECHNOLOGY

STATEMENT 2

Statement of Reserve for Capital Assets for the year ended March 31, 1986

	1986 $	1985 $
Balance, beginning of year	303,148	273,294
Contributions from Province of Ontario — (Note 1)	35,711	107,953
	338,859	381,247
Transfer to Operations	91,599	78,099
Balance, end of year	247,260	303,148

STATEMENT 3

Statement of Operations for the year ended March 31, 1986

	1986 $	1985 $
Revenues		
Recovery of program expenses	2,770,477	1,467,873
Interest income	58,912	52,418
	2,829,389	1,520,291
Expenditures		
Salaries and benefits	1,435,258	1,186,639
Travel and living	286,877	179,384
Recruiting and relocation	86,312	70,606
Manufacturing and productivity services	1,060,746	926,475
Technology development	2,286,752	1,120,085
Marketing and support services	217,956	305,107
Promotion	163,750	151,297
Rental	194,186	179,057
Office supplies and services	142,597	154,204
Depreciation	91,599	78,099
	5,966,033	4,350,953
Excess of Expenditure over Revenue	3,136,644	2,830,662
Contribution from Province of Ontario — (Note 2)	3,136,644	2,830,662
	Nil	Nil
% of operating costs recovered (interest income and depreciation not included)	47.2%	34.4%

See accompanying notes to financial statements.

ONTARIO CENTRE FOR AUTOMOTIVE PARTS TECHNOLOGY

STATEMENT 4

Statement of Changes in Financial Position for the year ended March 31, 1986

	1986 $	1985 $
Working Capital Provided by:		
Operations		
Revenue	2,829,389	1,520,291
Contribution from Province of Ontario for operations	3,136,644	2,830,662
Add (Deduct) Items not affecting working capital		
Depreciation and amortization	91,599	78,099
Transfer from reserve for capital assets	(91,599)	(78,099)
	5,966,033	4,350,953
Contributions from Province of Ontario for capital assets	35,711	107,953
	6,001,744	4,458,906
Working Capital Used for:		
Operations	5,966,033	4,350,953
Purchase of fixed assets	35,711	107,953
	6,001,744	4,458,906

STATEMENT 5

Notes to Financial Statements for the year ended March 31, 1986

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following summary of significant accounting policies of the organization is presented in order to assist the reader in understanding the financial statements.

i) General

The Centre follows generally accepted accounting principles in the preparation of its financial statements which were applied on a basis consistent with the preceding year.

ii) Amortization and Depreciation of Fixed Assets

Leasehold Improvements

The cost of the leasehold improvements is being amortized on a straight line basis over 5 years.

Depreciation

It is the policy of the Centre to provide depreciation on the straight line basis on the fixed assets at the rate of 20% per annum.

iii) Contribution from the Province of Ontario

The contributions from the Province of Ontario were made without reference to source or type of expenditure. The capital expenditures amount is deducted from the total provincial contribution and the balance is designated for operations.

Contributions for capital assets are credited to reserve for capital assets and recognized as income as the depreciation and amortization of the related assets are charged to operations.

ONTARIO CENTRE FOR AUTOMOTIVE PARTS TECHNOLOGY

STATEMENT 5

Notes to Financial Statements — Concluded
for the year ended March 31, 1986

	1986 $	1985 $
2. CONTRIBUTION FROM PROVINCE OF ONTARIO		
Total contribution during the year	3,246,000	2,714,000
Add:		
Transfer from reserve for capital assets	91,599	78,099
	3,337,599	2,792,099
Less:		
Amount assigned to capital assets	35,711	107,953
Amount assigned to operations	3,136,644	2,830,662
	3,172,355	2,938,615
Excess (Deficiency) of Contribution over Expenditures	165,244	(146,516)
Payable to Province of Ontario, beginning of year	236,417	382,933
Payable to Province of Ontario, at end of year	401,661	236,417

3. FIXED ASSETS

	Cost	Accumulated Depreciation and Amortization	Net Book Value	Depreciation Rates
Furniture and equipment	$321,195	$135,334	$185,861	20%
Leasehold improvements	$167,262	$105,863	$ 61,399	5 years

4. OPERATING LEASE COMMITMENTS

i) The Centre is committed to a lease obligation for a period of 5 years, commencing in 1982 for an annual rental amount of $107,360.

ii) The Centre is committed to lease agreements for office equipment at an annual rate of $9,588 for a period of 3 years.

ONTARIO CENTRE FOR FARM MACHINERY AND FOOD PROCESSING TECHNOLOGY

Statement 1
Balance Sheet
as at March 31, 1986

ASSETS

			1986 $	1985 $
Current:				
Cash			280,651	98,178
Accounts receivable			158,367	81,951
Work in progress			140,133	84,299
Prepaid expenses			16,269	12,230
Total current assets			595,420	276,658
Fixed:	Cost	Accumulated Depreciation		
Land	$ 50,000	$ —	50,000	50,000
Buildings	1,471,992	125,326	1,346,666	1,153,911
Furniture and Fixtures	185,731	68,131	117,600	138,301
Equipment	1,538,444	295,059	1,243,385	669,176
Vehicles	129,612	26,578	103,034	40,593
	$3,375,779	$ 515,094	2,860,685	2,051,981
			3,456,105	2,328,639

LIABILITIES

Current:		
Accounts payable — Trade	336,880	167,646
— Province of Ontario	191,861	37,352
Accrued liabilities	50,339	28,150
Customer deposits	16,340	43,510
Total Current Liabilities	595,420	276,658

EQUITY

Reserve for capital assets: (Statement 2)	2,860,685	2,051,981
Surplus: (Statement 3)	Nil	Nil
Total Equity	2,860,685	2,051,981
	$3,456,105	$2,328,639

Approved on behalf of the Board of Directors:

The accompanying notes form an integral part of this statement.

ONTARIO CENTRE FOR FARM MACHINERY AND FOOD PROCESSING TECHNOLOGY

Statement 2
Statement of Reserve for Capital Assets
for the year ended March 31, 1986

	1986	1985
	$	$
Balance, beginning of year:	$2,051,981	$ 695,094
Contributions from the Province of Ontario (Note 1)	1,109,590	1,542,225
	3,161,571	2,237,319
Transfer to Operations (Note 2)	300,886	185,338
Balance, end of year:	$2,860,685	$2,051,981

Statement 3
Statement of Operations
for the year ended March 31, 1986

	1986	1985
	$	$
REVENUE:		
Program Revenue	636,020	383,390
Interest Income	44,391	44,645
Tum Revenue	2,600	—
	683,011	428,035
EXPENDITURES:		
Advertising and Promotion	75,007	60,683
Bad Debts	14,939	—
Directors' Meetings	24,109	16,147
Insurance	16,060	7,859
Maintenance and Repairs	50,010	17,420
Materials, Sub-Contracts & Secondments	190,483	110,229
Municipal Taxes	10,191	17,448
Postage	7,205	6,012
Professional Fees	25,977	10,427
Recruiting and Relocations	30,701	100,077
Rent and Lease	19,885	12,619
Salaries and Benefits	1,287,652	975,306
Supplies, Books & Subscriptions	202,873	87,770
Telephone & Utilities	73,603	59,175
Tools	13,952	5,117
Training & Travel	144,542	94,998
Tum Expenses	2,600	—
	2,189,789	1,581,287
Excess of Expenditure over Revenue before Undernoted Items	1,506,778	1,153,252
Contributions from the Province of Ontario for Operating Purposes (Note 2)	1,807,664	907,263
	(300,886)	(245,989)
Depreciation	300,886	185,338
Excess/(Deficit) of Revenue over Expenditures for the Year	Nil	(431,327)
Surplus, Beginning of the Year	Nil	431,327
Surplus, End of Year	Nil	Nil
Percent of Operating Costs Recovered (Interest Income, Tum Revenue, Depreciation, and Tum Expenses Not Included)	29.1%	24.2%

The accompanying notes form an integral part of this statement.

ONTARIO CENTRE FOR FARM MACHINERY AND FOOD PROCESSING TECHNOLOGY

Statement 4
Statement of Changes in Financial Position
for the year ended March 31, 1986

	1986 $	1985 $
SOURCE OF FUNDS:		
Operations		
Excess of Expenditures over Revenue for the Year	Nil	431,327
Eliminate Items not Requiring an Outlay of Funds		
Add: Depreciation	300,886	185,338
Less: Transfer from Reserve for Capital Assets	300,886	(185,338)
	Nil	(431,327)
Contributions from Province of Ontario for Capital Assets	1,109,590	1,542,225
	1,109,590	1,110,898
USE OF FUNDS:		
Purchase of Fixed Assets	1,109,590	1,542,225
(DECREASE) INCREASE IN WORKING CAPITAL	Nil	(431,327)
WORKING CAPITAL, BEGINNING OF YEAR	Nil	431,327
WORKING CAPITAL, END OF YEAR	Nil	Nil
Current Assets	595,420	276,658
Current Liabilities	595,420	276,658
	Nil	Nil

The accompanying notes form an integral part of this statement.

Statement 5
Notes to Financial Statements
for the year ended March 31, 1986

1. SIGNIFICANT ACCOUNTING POLICIES:

(a) Fixed assets are recorded at cost and depreciated over their estimated useful lives on the straight line basis at the following annual rates:

Buildings	5%
Furniture and Fixtures	20%
Equipment	20%
Vehicles	30%

(b) Contributions from the Province of Ontario:
Contributions allocated to capital expenditures are deducted from total provincial contributions and the balance is designated for operations.
Contributions for operations are recognized as revenue in the period in which they are committed by the Province. Interest Revenue on temporary investment of surplus cash is applied to reduce the annual operating contribution from the Province of Ontario during the year.
Contributions for capital assets are credited to reserve for capital assets and recognized as income as depreciation of the related assets is charged to operations.

(c) Work in progress is valued at the lower of cost or net realizable value.

2. CONTRIBUTIONS FROM THE PROVINCE OF ONTARIO:

	1986 $	1985 $
Total Contributions	2,808,229	2,301,502
Less: Amount Assigned to Capital Assets	1,109,590	1,542,225
	1,698,639	759,277
Add: Transfer from Reserve for Capital Assets	300,886	185,338
	1,999,525	944,615
Less: Surplus Repayable to the Province of Ontario	191,861	37,352
Operations Contribution for the Year	1,807,664	907,263

ONTARIO CENTRE FOR FARM MACHINERY AND FOOD PROCESSING TECHNOLOGY

Notes to Financial Statements — Concluded
for the year ended March 31, 1986

3. COMPARATIVE FIGURES:

Certain comparative figures have been reclassified to conform with the current year presentation.

AUDITORS' REPORT

To: The Ontario Centre for Farm Machinery and Food Processing Technology
and the Ministries of Industry, Trade and Technology and Agriculture and Food of the Province of Ontario.

We have examined the balance sheet of the Ontario Centre for Farm Machinery and Food Processing Technology as at March 31, 1986 and the statement of operations, reserve for capital assets and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Centre as at March 31, 1986 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Chrysler Shillington & Co.

Chatham, Ontario
May 12, 1986

Chrysler Shillington & Co.
Chartered Accountants.

ONTARIO CENTRE FOR MICROELECTRONICS

Balance Sheet
March 31, 1986

ASSETS

	1986	1985
CURRENT ASSETS		
Cash	$ 500	$ 185,136
Accounts receivable	406,334	152,912
Contracts in progress	126,847	179,422
Prepaid expenses	64,356	44,353
	598,037	561,823
FIXED ASSETS (Note 2)	2,536,004	2,319,552
	$3,134,041	$2,881,375

LIABILITIES

CURRENT LIABILITIES		
Accounts payable and accrued charges	$ 479,945	$ 263,206
Deferred revenue	30,073	25,185
Province of Ontario	88,019	273,432
	598,037	561,823

EQUITY

RESERVE FOR CAPITAL ASSETS	2,536,004	2,319,552
	$3,134,041	$2,881,375

Approved on behalf of the Board

Gordon W. Gow
Chairman of the Board

Peter Vice
Director

To Ontario Centre for Microelectronics and
Minister of Industry, Trade and Technology of the Province of Ontario:

We have examined the balance sheet of the Ontario Centre for Microelectronics as at March 31, 1986 and the statements of operations, reserve for capital assets and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Centre as at March 31, 1986 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Deloitte Haskins & Sells
Auditors

April 25, 1986

ONTARIO CENTRE FOR MICROELECTRONICS

Statement of Operations
Year ended March 31, 1986

	1986	1985
REVENUES		
Technical contracts and seminars	$1,255,216	$ 921,801
Technology Enhancement Program (Note 3)	(278,359)	(80,732)
Technology Upgrading for Manufacturers' revenue	14,228	—
Net revenue	991,085	841,069
EXPENDITURES		
Advertising	69,570	24,124
Bad Debts	214,727	28,000
Computer Maintenance	335,564	219,637
Consulting	294,159	319,781
Depreciation and Amortization	767,305	587,008
Hotel and Equipment Rental	28,173	32,640
Postage	76,512	46,109
Printing	221,096	190,426
Recruiting and Relocation	1,369	35,500
Salaries and Benefits	1,825,278	1,592,807
Staff Development	18,411	37,508
Supplies and Services	232,751	169,359
Technical-3rd Party Costs	249,350	8,959
Telephone and Rent	285,748	273,085
Travel and Accommodation	174,056	140,853
Technology Upgrading for Manufacturers' expenses	14,228	—
	4,808,297	3,705,796
EXCESS OF EXPENDITURE OVER REVENUE	3,817,212	2,864,727
CONTRIBUTION FROM PROVINCE OF ONTARIO (Note 4)	3,756,961	2,794,159
INTEREST INCOME (Note 5)	60,251	70,568
	$ —	$ —
NET REVENUE TO EXPENSE RATIO (Excludes interest, depreciation and Technology Upgrading for Manufacturers')	24%	27%

Statement of Reserve for Capital Assets
Year ended March 31, 1986

	1986	1985
CONTRIBUTIONS FROM PROVINCE OF ONTARIO (Note 4)		
Allocated to capital expenditures	$1,000,038	$1,190,278
Less disposals	(16,281)	—
	983,757	1,190,278
TRANSFER TO OPERATIONS (Note 4)	767,305	587,008
	216,452	603,270
BALANCE, BEGINNING OF YEAR	2,319,552	1,716,282
BALANCE, END OF YEAR	$2,536,004	$2,319,552

ONTARIO CENTRE FOR MICROELECTRONICS

Statement of Changes in Financial Position
Year ended March 31, 1986

	1986	1985
WORKING CAPITAL PROVIDED		
Operations		
Net revenue	$ 991,085	$ 841,069
Contributions from Province of Ontario	3,756,961	2,794,159
Interest	60,251	70,568
Add (deduct) items not affecting working capital		
Depreciation and amortization	767,305	587,008
Transfer from reserve for capital assets	(767,305)	(587,008)
	4,808,297	3,705,796
Contributions from Province of Ontario for capital assets (net of disposals)	983,757	1,190,278
	$5,792,054	$4,896,074
WORKING CAPITAL USED		
Operations	$4,808,297	$3,705,796
Purchase of fixed assets (net of disposals)	983,757	1,190,278
	$5,792,054	$4,896,074

Notes to the Financial Statements
March 31, 1986

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with generally accepted accounting principles, and reflect the following policies:

Fixed Assets

Fixed assets are stated at cost. Equipment and furniture are depreciated by the straight-line method at rates calculated to amortize the cost of the assets, less salvage value, over their estimated useful lives. Leasehold improvements are amortized by the straight-line method over the terms of the respective leases.

Contributions from the Province of Ontario

Contributions are made without reference to source or type of expenditure. The allocation shown in the financial statements is based on the capital assets expenditures and the balance is designated for operations.

Contributions for capital assets are credited to reserve for capital assets and recognized as income as the depreciation on the related assets are charged against operations.

Contributions for operations are recognized as revenue in the period in which they are committed by the Province. The excess of contributions received from the Province over net expenditures are accounted for as a debt to the Province.

Revenue Recognition

Contract revenue is recognized on the percentage-of-completion basis. Contracts or portions thereof, which are terminated prior to invoicing are not recognized as revenue. Any subsequent recoveries from clients become revenue when received.

Revenue from royalty agreements are recognized when received.

Contracts in progress

Contracts in progress represents the net realizable value of all unbilled customer work determined as a percentage of the total contract amounts.

ONTARIO CENTRE FOR MICROELECTRONICS

Notes to the Financial Statements — Concluded
March 31, 1986

2. FIXED ASSETS

	1986			1985	
	Cost	Accumulated Depreciation and Amortization	Net Book Value	Net Book Value	Depreciation Rates
Technical equipment	$3,554,261	$1,372,323	$2,181,938	$1,859,484	20%
Office equipment	255,801	121,003	134,798	151,880	20%
Office furniture	324,928	158,594	166,334	226,297	20%
Leasehold improvements	205,968	153,034	52,934	81,891	3 Years
	$4,340,958	$1,804,954	$2,536,004	$2,319,552	

Depreciation and amortization for the year totalled $767,305 (1985 — $587,008).

The Centre's premises are occupied under a lease which expires September 30, 1987. The minimum annual rental under this arrangement is approximately $249,000 in 1987.

3. TECHNOLOGY ENHANCEMENT PROGRAM

The Technology Enhancement Program (TEP) was established to provide assistance to corporations or individuals requiring microelectronic technology. The assistance is restricted to qualifying contract work performed by the Centre. Under the terms of the assistance a royalty agreement provides for repayment of the assistance from the benefits of the applied technology.

Details of the current year's amount are as follows:

TEP contracts completed and in process	$362,867	
Paid by clients	84,508	
Amount included in contributions from Province of Ontario	$278,359	

4. CONTRIBUTIONS FROM PROVINCE OF ONTARIO

	1986	1985
Total contributions	$3,788,000	$3,418,000
Less amounts assigned to capital assets (net of disposals 1986 — $16,281, 1985 — Nil)	983,757	1,190,278
	2,804,243	2,227,722
Transfer from reserve for capital assets	767,305	587,008
	3,571,548	2,814,730
Decrease (increase) in refund of excess contributions	185,413	(20,571)
Operations contribution for year	$3,756,961	$2,794,159

5. INTEREST INCOME

Interest is recognized as revenue only in the hands of the Treasurer of Ontario, as only the Treasurer of Ontario may earn interest unless permitted otherwise in legislation. Interest is treated as a contribution from the Province in determining percentage of operating costs recovered.

6. COMPARATIVE FIGURES

Certain of the prior year's comparative figures have been reclassified to conform to current year's presentation.

7. BAD DEBTS

Bad debts include $130,000 resulting from the financial failure of one high technology company.

ONTARIO CENTRE FOR RESOURCE MACHINERY TECHNOLOGY
(Incorporated under the Technology Centres Act)

Balance Sheet
as at March 31, 1986

ASSETS

	1986	1985
	$	$
Cash and short-term deposits	1,088,459	345,418
Receivable from Province of Ontario	1,475,564	
Other	38,637	32,739
Investments	2,244,500	1,595,000
Fixed assets (note 4)	114,444	135,214
	4,961,604	2,108,371

LIABILITIES AND EQUITY

Accounts payable and accrued liabilities	70,242	23,365
Payable to Province of Ontario		34,585
	70,242	57,950
Appropriation for research and development (note 5)	514,418	320,207
	584,660	378,157
Equity	4,376,944	1,730,214
	4,961,604	2,108,371

Commitments (note 6)

Approved by the Board

Director

Director

AUDITORS' REPORT

To The Honourable Minister of Industry, Trade and Technology of the Province of Ontario
and the Board of Directors of Ontario Centre for Resource Machinery Technology

We have examined the balance sheet of Ontario Centre for Resource Machinery Technology as at March 31, 1986 and the statements of revenue and expenditure, equity and changes in cash resources for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Centre as at March 31, 1986 and the results of its operations and the changes in cash resources for the year then ended in accordance with generally accepted accounting principles, except for the change in the method of accounting for revenue as described in note 2, applied on a basis consistent with the preceding year.

Thorne Riddell

Sudbury, Ontario
April 24, 1986

Thorne Riddell
Chartered Accountants

ONTARIO CENTRE FOR RESOURCE MACHINERY TECHNOLOGY

Statement of Revenue and Expenditure
as at March 31, 1986

	1986 $	1985 $
Revenue		
Interest on term deposits	66,185	51,819
Investment income	65,788	51,214
Other income	74,400	28,308
	206,373	131,341
Expenditure		
Administration	1,002,376	865,844
Depreciation	42,428	61,462
	1,044,804	927,306
	838,431	795,965
Contribution from Province of Ontario less revenue earned (note 3)	838,431	795,965
Excess of revenue over expenditure	Nil	Nil

Statement of Equity
as at March 31, 1986

INVESTMENT

	1986 $	1985 $
Balance at beginning of year	1,595,000	1,586,000
Contribution from Province of Ontario (note 3)	3,505,000	465,455
	5,100,000	2,051,455
Deduct		
Transfer to appropriation for research and development	250,000	200,000
Repayments from investments returned to Province of Ontario	137,500	106,455
Allowance for decline in value	450,000	150,000
	837,500	456,455
Balance at end of year	4,262,500	1,595,000

FIXED ASSETS

Balance at beginning of year	135,214	188,003
Contribution from Province of Ontario (note 3)	21,658	8,673
Transfer to operations (note 3)	(42,428)	(61,462)
Balance at end of year	114,444	135,214
Total Equity	4,376,944	1,730,214

ONTARIO CENTRE FOR RESOURCE MACHINERY TECHNOLOGY

Statement of Changes in Cash Resources as at March 31, 1986

	1986 $	1985 $
Cash provided by (used for)		
Contributions from Province of Ontario (note 3)	3,389,158	367,673
Accounts payable and accrued liabilities	46,877	(30,892)
Receivable from Province of Ontario	(1,475,564)	277,240
Payable to Province of Ontario	(34,585)	34,585
Investments	(1,099,500)	(703,642)
Research and development expenditures	(55,789)	(204,793)
Increase in other assets	(5,898)	(21,755)
Purchase of fixed assets	(21,658)	(8,673)
Increase (decrease) in cash position	743,041	(290,257)
Cash position at beginning of year	345,418	635,675
Cash position at end of year	1,088,459	345,418

Cash position is defined as cash and short term deposits.

Notes to Financial Statements as at March 31, 1985

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Fixed Assets

Fixed assets are recorded at cost. Depreciation is provided on a straight-line basis at the following annual rates:

Leasehold improvements	50%
Office equipment	20%
Office furniture	20%

(b) Contributions from the Province of Ontario

Contributions for operations are recognized as revenue in the year in which they are committed by the Province.

Contributions for capital assets are credited to equity in fixed assets. The equity is reduced by the depreciation for the year and is transferred to operations.

Contributions for the investment program are credited to the equity in investment fund.

(c) Investments

Investments are valued at the lower of cost or net realizable value. Income from investments is recorded on the cash basis in the statement of revenue and expenditure. Any gains or losses on disposal of investments and allowances for decline in the value of investments are recorded in the statement of investment equity in the year in which they occur.

(d) Research and Development

Expenditures for research and development projects are expensed in the year in which they are incurred.

ONTARIO CENTRE FOR RESOURCE MACHINERY TECHNOLOGY

Notes to Financial Statements — Concluded
as at March 31, 1986

2. CHANGE IN ACCOUNTING PRACTICE

During 1986, the Centre adopted the policy of recognizing income from investments on a cash basis. Previously, revenue was recognized on the accrual basis. As a result of this change, which has not been applied retroactively, revenue is reduced by $32,315, the receivable from Province of Ontario is increased by $32,315 and there is no effect on excess of revenue over expenditure.

2. CONTRIBUTIONS FROM PROVINCE OF ONTARIO

	1986 $	1985 $
Total contribution	4,391,534	1,233,517
Deduct contributions assigned to		
Investment fund	3,505,000	465,455
Fixed assets	21,658	8,673
	3,526,658	474,128
Less repayments from investments returned to Province of Ontario	137,500	106,455
	3,389,158	367,673
	1,002,376	865,844
Transfer from equity in fixed assets	42,428	61,462
	1,044,804	927,306
Deduct revenue earned	206,373	131,341
Operation contribution	838,431	795,965

4. FIXED ASSETS

	1986			1985
	Cost	Accumulated depreciation	Net book value	Net book value
Leasehold improvements	$ 61,263	$ 61,263		
Office equipment	96,590	38,895	$ 57,695	53,838
Office furniture	134,604	77,855	56,749	81,376
	$292,457	$178,013	$114,444	$135,214

5. APPROPRIATION FOR RESEARCH AND DEVELOPMENT

	1986 $	1985 $
Balance at beginning of year	320,207	325,000
Transfer from investment fund	250,000	200,000
Expenditures	(55,789)	(204,793)
Balance at end of year	514,418	320,207

6. COMMITMENTS

The Centre has conditionally committed $2,018,000 of the investment equity. This commitment is subject to satisfactory completion of business negotiations and legal matters.

The Centre has a lease commitment on the rental premises which expires on December 14, 1986, the annual cost of which is $57,629.

7. COMPARATIVE FIGURES

Certain 1985 comparative figures have been reclassified to conform with the financial statement presentation adopted for 1986.

THE ONTARIO EDUCATION CAPITAL AID CORPORATION

Incorporated without share capital under the Ontario Education Capital Aid Corporation Act

Balance Sheet
as at December 20, 1985
(Note 4)

ASSETS

	December 20, 1985 $	March 31, 1985 $
Cash	4,864	4,900
Accrued interest on investments	16,712,690	16,742,719
Long term investments, at cost (note 3)	756,976,200	835,864,100
	773,693,754	852,611,719

LIABILITIES

Accrued interest on advances	16,712,690	16,742,719
Advances from the Treasurer of Ontario	756,981,064	835,869,000
	773,693,754	852,611,719

See accompanying notes to financial statements.

Approved on behalf of the Corporation

Chairman

Member

To The Ontario Education Capital Aid Corporation
and to the Treasurer of Ontario.

I have examined the balance sheet of The Ontario Education Capital Aid Corporation as at December 20, 1985 and the statement of revenue and expenditure for the period then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Corporation as at December 20, 1985 and the results of its operations for the period then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

A report on the audit has been made to the Corporation and, in accordance with section 11 of the Ontario Education Capital Aid Act, to the Treasurer of Ontario.

Toronto, Ontario,
May 21, 1986.

D.F. Archer, F.C.A.,
Provincial Auditor.

THE ONTARIO EDUCATION CAPITAL AID CORPORATION

Statement of Revenue and Expenditure for the period ended December 20, 1985

	Period Ended December 20, 1985 $	Year Ended March 31, 1985 $
REVENUE		
Interest on investments	47,222,158	71,788,037
EXPENDITURE		
Interest on advances from the Treasurer of Ontario (note 1)	47,222,158	71,788,037

See accompanying notes to financial statements.

Notes to Financial Statements December 20, 1985

1. INTEREST ON ADVANCES

Pursuant to Order in Council 582/78, interest payable by the Corporation on advances from the Treasurer of Ontario is an amount equal to the net interest revenue for the fiscal year.

2. ADMINISTRATION EXPENSE

The cost of administration has been paid by the Province of Ontario.

3. LONG TERM INVESTMENTS

The Corporation has not purchased any new debentures since April 1, 1980.

4. DISSOLUTION OF THE CORPORATION

Pursuant to the Capital Aid Corporations Repeal Act, 1985, the Corporation was dissolved as of December 20, 1985 and the assets and liabilities of the Corporation were vested in the Treasurer of Ontario.

ONTARIO ENERGY CORPORATION

Consolidated Balance Sheet
December 31, 1985

	1985	1984 (restated)
	($000's)	
ASSETS		
CURRENT ASSETS		
Cash, short-term deposits and accrued interest	5,425	5,034
Accounts receivable	4,350	1,561
	9,775	6,595
INVESTMENTS (Note 5)		
Suncor Inc.	288,750	639,695
Trillium Exploration Corporation	47,390	39,135
Energy resource ventures	20,968	14,066
Energy technology ventures	4,265	7,700
Polar Gas Project	—	18,337
	361,373	718,933
FIXED ASSETS	39	134
	371,187	725,662
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued charges	257	228
Short-term borrowings	7,550	—
Current portion of long-term debt	—	16,250
	7,807	16,478
LONG-TERM DEBT (Note 7)	—	585,000
	7,807	601,478
CONTINGENCY (Note 9)		
SHAREHOLDER'S EQUITY		
SHARE CAPITAL (Note 8)	97,715	81,871
CONTRIBUTED SURPLUS (Note 7)	325,000	—
(DEFICIT) RETAINED EARNINGS	(59,335)	42,313
	363,380	124,184
	371,187	725,662

Approved by the Board:

Malcolm Rowan

Malcolm Rowan, Director

G. C. Hitchman

George C. Hitchman, Director

ONTARIO ENERGY CORPORATION

Consolidated Statement of Loss and Deficit
year ended December 31, 1985

	1985	1984 (restated)
	($000's)	
REVENUE		
Interest	1,451	2,279
Production	4,944	529
	6,395	2,808
EXPENSES		
Production, operating and royalties	1,249	249
General and administrative	1,724	1,663
Depreciation, depletion and amortization	1,795	360
	4,768	2,272
INCOME FROM OPERATIONS	1,627	536
WRITE-DOWN OF INVESTMENTS (Notes 2 and 3)	(85,695)	—
EQUITY ADJUSTMENT IN INVESTMENTS	(17,580)	11,090
(LOSS) NET INCOME	(101,648)	11,626
RETAINED EARNINGS, BEGINNING OF YEAR — as previously reported	53,288	40,187
SUNCOR INC. ADJUSTMENT (Note 4)	(10,975)	(9,500)
(DEFICIT) RETAINED EARNINGS, END OF YEAR	(59,335)	42,313

ONTARIO ENERGY CORPORATION

Consolidated Statement of Changes in Financial Position
year ended December 31, 1985

	1985	1984 (restated)
	($000's)	
SOURCES OF WORKING CAPITAL		
Operations		
(Loss) Net income	(101,648)	11,626
Items not affecting working capital		
Depletion	1,719	186
Amortization — Suncor Inc.	14,380	17,810
Other	96	174
Equity in earnings of investments	3,200	(28,900)
Write-down of investments	85,695	—
Suncor Inc. dividends	10,449	10,449
Other dividends	—	20
	13,891	11,365
Government assistance	265,465	—
Issue of common shares	15,844	27,665
Loan repayment	—	278
	295,200	39,308
USES OF WORKING CAPITAL		
Reduction in long-term debt	260,000	16,250
Trillium Exploration Corporation	8,255	20,581
Energy resource ventures	12,876	6,521
Energy technology ventures	1,297	4,858
Polar Gas Project	921	757
Additions to fixed assets	—	26
	283,349	48,993
INCREASE (DECREASE) IN WORKING CAPITAL	11,851	(9,685)
WORKING CAPITAL DEFICIENCY, BEGINNING OF YEAR	(9,883)	(198)
WORKING CAPITAL (DEFICIENCY), END OF YEAR	1,968	(9,883)

Notes to the Consolidated Financial Statements
December 31, 1985

1. SIGNIFICANT ACCOUNTING POLICIES

Ontario Energy Corporation invests in, or otherwise participates in, energy projects with a view to enhancing the availability of energy in Ontario. The Corporation's involvement in its investments is in a financing rather than an operating role.

Basis of financial statement presentation

The consolidated financial statements include the accounts of Ontario Energy Corporation and its subsidiaries except Trillium Exploration Corporation ("Trillium"). Trillium is actively involved in an exploration program for oil and gas and its operations are not of a financial nature. Accordingly, Trillium is accounted for using the equity method because consolidating the accounts would not be more informative. Summary information describing the financial position and activities of Trillium is included in Note 5 to these financial statements. Other investments are also accounted for using the equity method.

The full-cost method of accounting is used to account for the Corporation's investments in oil and gas exploration activities whereby all costs of exploring for and developing oil and gas reserves are capitalized.

Oil and gas properties, categorized as energy resource ventures, are carried at the lower of capitalized cost, less accumulated depletion, and net recoverable value. Net recoverable value is the aggregate of future net revenues from proven reserves, determined using current prices and current costs plus the fair value of unproved properties.

ONTARIO ENERGY CORPORATION

Notes to the Consolidated Financial Statements — Continued
December 31, 1985

Fixed assets

Furniture, equipment and leasehold improvements are stated at cost less accumulated depreciation and amortization. Depreciation is determined using the straight-line method over a period of 60 months; leasehold improvements are amortized over the terms of the leases.

Income taxes

The Corporation and its wholly-owned direct subsidiaries and their wholly-owned direct subsidiaries are not subject to income tax so long as not less than 90 per cent of the outstanding shares of the Corporation are held directly by the Province of Ontario. All of the Corporation's outstanding shares are presently held by the Province of Ontario. Onesco Oil & Gas Ltd., which is a wholly-owned indirect subsidiary of the Corporation, is subject to income taxes.

2. ONGOING OPERATIONS

As a result of a review of the Corporation's investments in the light of the province's current energy policy, the Province of Ontario has announced the following objectives for the Corporation's investments:

Suncor Inc.

To dispose of the Corporation's 25 per cent interest in Suncor Inc. when financially prudent.

Trillium Exploration Corporation and energy resource ventures

To dispose of OEC'S direct investments in the oil and gas industry in a manner and at a time which will maximize the return on these investments. No further activities in the James Bay Lowlands will be conducted by OEC.

Polar Gas Project

To cease financial participation in Polar Gas beyond the end of the first quarter of 1986.

Energy technology ventures

Each investment will be examined individually and will either be retained or disposed of as appropriate.

It is uncertain at this time as to the outcome of the results of these activities and the effect they will have on the Corporation's ongoing operations.

3. WRITE-DOWN OF INVESTMENTS

In previous years, the difference between the cost of the Suncor shares to the Corporation and the underlying net book value of Suncor Inc., which related primarily to oil and gas reserves, was being amortized using the unit-of-production method. Due to today's unstable and lower crude oil prices, the Corporation believes it is no longer appropriate to continue amortizing this difference and, accordingly, it has been written off.

Due to decisions by the Shareholder and other economic factors, the Corporation has written down the carrying value of certain other investments. These write-downs are summarized below:

	($000's)
Suncor Inc.	58,151
Polar Gas Project	19,257
Energy resource ventures	4,379
Energy technology ventures	3,908
	85,695

4. SUNCOR INC. ADJUSTMENT

The Corporation's opening retained earnings for 1984 and 1985 have been restated to give effect to a change in accounting policy adopted by Suncor Inc. In accordance with the accounting recommendation issued by the Canadian Institute of Chartered Accountants, Suncor has adopted the cost reduction method of accounting for investment tax credits, effective January 1, 1985. Previously, Suncor had followed the flow-through method.

This change has been applied on a retroactive basis. Suncor's retained earnings at January 1, 1985 were reduced by $43.9 million. The Corporation's 25 per cent interest in Suncor's restated earnings was reflected by reducing 1985 opening retained earnings by $10,975,000, of which $1,475,000 relates to the 1984 income statement. The remainder, $9,500,000, is applicable to years prior to January 1, 1984 and the balance of retained earnings at that date has been adjusted accordingly.

5. INVESTMENTS

Suncor Inc.

The Corporation owns 25 per cent of the issued common shares of Suncor Inc. which is accounted for using the equity method.

ONTARIO ENERGY CORPORATION

Notes to the Consolidated Financial Statements — Continued
December 31, 1985

5. INVESTMENTS — Continued

Summarized financial information of Suncor Inc. as at December 31 is as follows:

	1985	1984 (restated)
	(millions)	
FINANCIAL INFORMATION		
Working capital	$ 75	$ 122
Total assets	2,390	2,309
Shareholders' equity		
Preferred shares	9	9
Common shares and retained earnings	1,155	1,208
	1,164	1,217
Operations		
Revenue	1,474	1,584
Net (loss) income	(10)	118
Dividends on common shares	42	42

Trillium Exploration Corporation

The Corporation has a two-thirds interest in Trillium which was formed to explore for oil and gas in the frontier areas of Canada; Suncor Inc., which is owned 25 per cent by the Corporation, owns the other one-third.

The following is a summary of Trillium's financial position as at December 31:

	1985	1984
	($000's)	
Assets		
Current assets	33,422	38,486
Investment in Panarctic Oils Ltd. at cost	2,100	800
Property, equipment and exploration expenditures	39,128	27,298
	74,650	66,584
Liabilities		
Accounts payable and accrued liabilities	3,717	8,006
Shareholder advances		
Suncor Inc.	23,542	19,442
Ontario Energy Corporation	47,390	39,135
	74,649	66,583
Shareholders' equity	1	1
	74,650	66,584

Trillium has had no income or loss from operations and, because of its mandate to explore in the frontier areas, no income or loss is expected for a number of years.

Trillium is eligible for maximum Petroleum Incentives Program ("PIP") grants of 80 per cent of expenditures for the exploration for oil and gas in the frontier areas of Canada.

The Corporation has outstanding commitments to Trillium of approximately $31 million. These commitments will be reduced by PIP grants of approximately $25 million.

ONTARIO ENERGY CORPORATION

Notes to the Consolidated Financial Statements — Continued
December 31, 1985

5. INVESTMENTS — Continued

Polar Gas Project

The Corporation, as an agent of the Ontario Government, is one of five continuing participants in the Polar Gas Project, four of whom, including the Corporation, are presently funding the Project. The purpose of Polar Gas is to determine the feasibility of constructing and operating facilities for the transmission of natural gas from areas in the Canadian Arctic to southern markets.

The Corporation is committed to fund its share of the Project's program for the first quarter of 1986. At the direction of its Shareholder, the Corporation will limit its new funding in 1986 to a maximum of $250,000. Thereafter the Corporation will not continue to fund the Project. The Corporation's interest in the Project was written down to one dollar in 1985.

The Polar Gas participation agreement provides that, in the event a company is formed to build and operate transmission facilities, the Corporation's interest would be convertible into equity or debt of such company. Alternatively, under certain circumstances, the Corporation's investment may be repaid.

Energy resource ventures

The Corporation is involved in a number of oil and gas exploration and development ventures on provincial lands and in the frontier (Hudson Bay). Substantially all of these activities are conducted on a joint venture basis. At year end, the Corporation wrote off its investment in the Hudson Bay Joint Venture as there was no longer reasonable assurance that its investment would be fully recovered.

The Corporation has outstanding commitments of approximately $6.8 million. The funding of these commitments will be reduced by PIP grants to be received by the Corporation. The Corporation is eligible for maximum PIP grants of 80 per cent of expenditures for the exploration for oil and gas in the frontier areas of Canada and 35 per cent for exploration on provincial lands.

Energy technology ventures

The Corporation has invested in energy technology ventures of various types, many of which are in the development stage. These investments are typically in the form of a minority equity interest or debt.

Outstanding commitments to investees amount to $0.7 million.

6. GOVERNMENT ASSISTANCE

The Corporation received government assistance which is applied to reduce certain costs as follows:

	1985	1984
	($000's)	
For principal repayment of note due to Sun Note Corporation	265,465	—
Interest expense on note due to Sun Note Corporation	64,804	41,304
Other investments	—	3,199

7. LONG-TERM DEBT

The note due to Sun Note Corporation was prepaid on December 2, 1985 by the Corporation in the amount of $315 million, of which $47 million related to accrued interest. Of the $268 million principal amount, $2.6 million was provided by the Corporation. The balance of $265.4 million, provided by the Province of Ontario as government assistance to the Corporation, was applied to repay the principal outstanding on the note and reduced the carrying value of the Suncor investment. Additional interest of $17.8 million on the Sun note was incurred during the year and recovered by way of assistance from the Government of Ontario.

The non-interest-bearing demand loan due to the Treasurer of Ontario was forgiven by the Treasurer during the year and was accordingly treated as contributed surplus on the Corporation's balance sheet.

ONTARIO ENERGY CORPORATION

Notes to the Consolidated Financial Statements — Concluded
December 31, 1985

8. SHARE CAPITAL

	1985	1984
	($000's)	
Share capital		
An unlimited number of common shares		
20,000,000 non-voting special shares		
Issued		
2,000,000 common shares	100,000	100,000
Less		
45,708 (1984 — 362,578) common shares held in Treasury, at cost	(2,285)	(18,129)
	97,715	81,871

During 1985, 316,870 shares held in Treasury were sold for cash of $15,843,500 including 260,000 shares for $13,000,000 sold pursuant to a five-year agreement signed in 1983 in which the Corporation's shareholder agreed to purchase out of appropriated funds $23 million of equity in the Corporation for each of the years 1983-1987 inclusive. Further funding under this agreement is not expected.

9. CONTINGENT LIABILITY

a) One of the Corporation's subsidiaries is contingently liable as guarantor of one joint venture's performance bond guarantees up to a maximum of approximately $1.8 million.

b) In January 1985, the Alberta Court of Queen's Bench found in favour of Suncor Inc. in its dispute over the amount of sub-lease royalties payable to Norcen International Ltd. As Norcen has appealed the decision, neither Suncor nor the Corporation has recognized its financial impact, estimated to be $30 million after tax to Suncor prior to December 31, 1984, with interest thereafter. Should the issue be resolved in favour of Norcen, additional charges to Suncor's earnings to December 31, 1985 would be approximately $12 million. The Corporation's proportionate share of this contingent liability approximates $3 million. Upon final resolution of this issue, the financial impact will be reflected retroactively in the periods affected.

c) On October 30, 1985, Dome Petroleum Limited, Sulpetro Limited and CNG Producing Company instituted an action against Suncor Inc. regarding their obligation to pay an overriding royalty to Suncor on production from certain oil sands leases. The amount of disputed royalty revenues recorded by Suncor to December 31, 1985 is approximately $20 million before taxes. The Corporation's proportionate share of this contingent liability approximates $5 million. Any material adverse financial impact on the Corporation resulting from this action will be applied retroactively in the periods affected.

10. SUBSEQUENT EVENT

Subsequent to the year end, crude oil prices have declined significantly. The Corporation believes that, while it is currently inappropriate to consider that current price levels will prevail in the long term, should they do so, a substantial write-down in the carrying value of the Corporation's oil and gas investments may be required.

Auditors' Report

To the Shareholder of Ontario Energy Corporation

We have examined the consolidated balance sheet of Ontario Energy Corporation as at December 31, 1985 and the consolidated statements of loss and deficit and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Corporation as at December 31, 1985 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Deloitte Haskins & Sells

Auditors
April 2, 1986

ONTARIO HOUSING CORPORATION
(Incorporated without share capital under the Ontario Housing Corporation Act)

Balance Sheet
December 31, 1985

	1985 ($000's)	1984 ($000's)
ASSETS		
Investment in properties (note 3)		
Provincial housing	1,234,729	1,242,799
Federal-Provincial housing	16,457	16,448
Student housing on leased land	63,016	63,442
Other	5,845	6,534
	1,320,047	1,329,223
Mortgages and loans (note 4)	25,455	22,420
Amount due from the Treasurer of Ontario	96,548	95,074
Accounts receivable	1,717	1,847
	1,443,767	1,448,564
LIABILITIES		
Long-term debt (note 5)		
Canada Mortgage and Housing Corporation	1,154,360	1,161,904
Treasurer of Ontario	—	182,139
Other	19,642	19,777
	1,174,002	1,363,820
Accounts payable and accrued liabilities (note 6)	83,470	83,125
Bank indebtedness	1,546	1,619
	1,259,018	1,448,564
EQUITY		
Contributed surplus (note 7)	184,749	—
	1,443,767	1,448,564

See accompanying notes to financial statements.

On behalf of the Board:

Vice-Chairman

General Manager

To the Ontario Housing Corporation and
to the Minister of Housing.

I have examined the balance sheet of Ontario Housing Corporation as at December 31, 1985 and the statement of operations for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Corporation as at December 31, 1985 and the results of its operations for the year then ended in accordance with the basis of accounting described in Note 1 to the financial statements, applied on a basis consistent with that of the preceding year.

In accordance with section 12 of the Ontario Housing Corporation Act, a report on the audit will be made to the Corporation and to the Minister of Housing.

Toronto, Ontario,
June 13, 1986.

D.F. Archer, F.C.A.,
Provincial Auditor.

ONTARIO HOUSING CORPORATION

Statement of Operations
Year ended December 31, 1985

	1985 ($000's)	1984 ($000's)
HOUSING OPERATIONS		
Assisted housing		
Rental revenue	196,694	185,228
Expenses		
Property operating expenses	255,050	236,018
Grants in lieu of municipal taxes	73,847	69,673
Amortization (principal and interest)	115,000	121,984
	443,897	427,675
Loss on assisted housing (note 8)	247,203	242,447
Rent supplement (note 9)	52,599	46,957
	299,802	289,404
Less: Canada Mortgage and Housing Corporation share	154,769	149,275
	145,033	140,129
Provincial contributions to municipal housing (note 10)	13,305	12,519
Rural and native housing (note 11)	2,708	2,453
Recovery of amortization (principal and interest) (note 12)	(8,853)	—
Provincial share of loss on housing operations	152,193	155,101
OTHER EXPENDITURES		
Social housing payments	27,883	13,263
Net interest revenue	(893)	(2,026)
Administration expenses (Schedule)	3,932	1,475
	30,922	12,712
NET OPERATING COST FOR THE YEAR	183,115	167,813
FUNDS PROVIDED BY THE TREASURER OF ONTARIO	183,115	167,813

SCHEDULE

Administration Expenses
Year ended December 31, 1985

	1985 ($000's)	1984 ($000's)
Salaries and benefits	8,983	5,367
Administrative support services (note 13)	9,595	8,751
	18,578	14,118
Less: Administration expenses charged to housing operations	14,646	12,643
	3,932	1,475

See accompanying notes to financial statements.

ONTARIO HOUSING CORPORATION

Notes to Financial Statements
December 31, 1985

1. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles with the exception of:

i) investments in Provincial and Federal-Provincial properties (land and buildings) which are amortized over periods not exceeding 50 years.
ii) furniture and equipment purchases which are expensed in the year of acquisition; and
iii) social housing payments which include funds advanced as interest-free loans. These loans are expensed and not included as accounts receivable in the balance sheet. Repayments are returned directly to the Consolidated Revenue Fund of the Province of Ontario.

2. SELF-INSURANCE

The Corporation follows the policy of self-insuring its Provincial and Federal-Provincial properties for property damage such as fire, water and vandalism. Costs of such repairs are charged to property operating expenses.

3. INVESTMENT IN PROPERTIES

(a) Provincial housing

This investment represents land and building costs of wholly-owned properties which are amortized over periods not exceeding 50 years.

	1985 ($000's)	1984 ($000's)
Cost	1,317,143	1,317,223
Less: accumulated amortization	82,414	74,424
Net book value	1,234,729	1,242,799

(b) Federal-Provincial housing

Federal-Provincial properties are owned and operated on a partnership basis with Canada Mortgage and Housing Corporation. The balance represents the Corporation's share of land and building costs which are amortized over periods not exceeding 50 years.

	1985 ($000's)	1984 ($000's)
Cost	20,520	20,245
Less: accumulated amortization	4,063	3,797
Net book value	16,457	16,448

(c) Student housing on leased land

This investment represents building costs to provide student accommodation on land leased from 11 universities and colleges. These costs are being repaid semi-annually to the Corporation by the educational institutions over a 50 year period. When costs are fully repaid, title to the properties will be transferred to the respective institutions. Rental income and maintenance costs on these properties are absorbed by the institutions.

	1985 ($000's)	1984 ($000's)
Cost	67,890	67,890
Less: educational institutions' equity	4,874	4,448
Net book value	63,016	63,442

(d) Other

	1985 ($000's)	1984 ($000's)
Land leased, at cost	2,308	2,308
Projects under development, at cost	1,416	2,078
Land inventory, lower of cost or estimated market value	2,121	2,148
	5,845	6,534

ONTARIO HOUSING CORPORATION

Notes to Financial Statements — Continued
December 31, 1985

4. MORTGAGES AND LOANS

	1985 ($000's)	1984 ($000's)
Rural and Native Housing Program	20,570	17,495
Other	4,885	4,925
	25,455	22,420

5. LONG-TERM DEBT

The Corporation borrows funds from Canada Mortgage and Housing Corporation and the private sector to finance investments in real property. Such borrowings are repaid in accordance with agreement terms over periods not in excess of 50 years.

Interest is payable to Canada Mortgage and Housing Corporation and the private sector at various rates based on individual agreements ranging from 4.25% to 15% — weighted average rate of 8.18% (1984 from 4.25% to 15% — weighted average rate of 8.18%).

Principal repayments are due as follows:

	($000's)
1986	8,217
1987	8,822
1988	9,475
1989	10,177
1990	10,935
Subsequent to 1990	1,126,376
	1,174,002

While the Corporation is indebted for capital funds borrowed in respect of investment in Provincial housing projects, the amortization charges (principal and interest) over the life of the projects are considered operating expenses under the cost sharing agreement with Canada Mortgage and Housing Corporation. Under this agreement, Canada Mortgage and Housing Corporation contributes 50% of the amortization charges (principal and interest) and the Corporation absorbs the remaining 50%.

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	1985 ($000's)	1984 ($000's)
Canada Mortgage and Housing Corporation	40,406	44,416
Other	43,064	38,709
	83,470	83,125

7. CONTRIBUTED SURPLUS

Prior to December 1, 1985 capital funds provided by the Treasurer of Ontario were repayable by the Corporation as the related assets were amortized or sold. Effective December 1, 1985 such funds are no longer repayable by the Corporation. Also, the Treasurer of Ontario forgave the long-term debt of the Corporation in respect of capital funds provided prior to December 1, 1985.

To reflect this change, the Corporation transferred the long-term debt due to the Treasurer of Ontario as of November 30, 1985 to a new account "Contributed Surplus". Contributions for capital expenditures received with effect from December 1, 1985 are to be credited to this account. In addition, the account is to be reduced as the related assets are amortized or sold. The balance as at December 31, 1985 is made up as follows:

	($000's)
Long-term debt transferred as at November 30, 1985	184,933
Add: Capital contributions received in December, 1985	1,395
Less: Amortization (principal portion)	(1,579)
	184,749

ONTARIO HOUSING CORPORATION

Notes to Financial Statements — Concluded
December 31, 1985

8. LOSS ON ASSISTED HOUSING

Under the assisted housing program, the Corporation owns (either wholly or in partnership with Canada Mortgage and Housing Corporation) rental properties and provides rent-geared-to-income accommodation principally to families and senior citizens. The management of the properties is carried out through a network of local housing authorities who act as agents of the Corporation. The loss on this program is shared with Canada Mortgage and Housing Corporation.

9. RENT SUPPLEMENT

Under the rent supplement programs, the Corporation acquires the use of rental units from the private sector and provides rent-geared-to-income accommodation principally to families and senior citizens. The costs of these programs are shared with Canada Mortgage and Housing Corporation.

10. PROVINCIAL CONTRIBUTIONS TO MUNICIPAL HOUSING

The Corporation contributed $13.3 million (1984 — $12.5 million) to The Metropolitan Toronto Housing Company Limited towards operating costs for senior citizen apartment units.

11. RURAL AND NATIVE HOUSING

This program, administered by Canada Mortgage and Housing Corporation, provides subsidized home ownership to families in rural areas. Mortgage payments are geared to owners' incomes. The loss represents the Corporation's share of the subsidy provided.

12. RECOVERY OF AMORTIZATION (PRINCIPAL AND INTEREST)

As a result of the elimination of the long-term debt payable to the Treasurer of Ontario as referred to in Note 7, relevant amortization charges (principal and interest) are no longer payable by the Corporation. Accordingly, the Provincial portion of such amortization, while charged to Housing Operations, is offset by credit to recovery of amortization.

13. ADMINISTRATIVE SUPPORT SERVICES

The Ministry of Housing provides central administrative support services to the Corporation. The charge for such support services was determined on a basis acceptable to the Ministry and the Corporation.

14. COMPARATIVE FIGURES

Comparative figures have been reclassified where necessary to conform with 1985 presentation.

ONTARIO HYDRO

Summary of Significant Accounting Policies

The accompanying financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada, applied on a basis consistent with that of the preceding year. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality and in the light of information available up to March 10, 1986.

Rate setting

Ontario Hydro has broad powers to generate, supply and deliver electric power throughout the Province of Ontario. The Corporation operates under the Power Corporation Act and is subject to provisions of the Ontario Energy Board Act.

Under the provisions of the Power Corporation Act, the price payable by customers for power is the cost of supplying the power. Such cost is defined in the Act to include the cost of operating and maintaining the system, depreciation, interest, and the amounts appropriated for debt retirement and stabilization of rates and contingencies. The debt retirement appropriation is the amount required under the Act to accumulate on a sinking fund basis over 40 years a sum equal to the debt incurred for the cost of the fixed assets in service. The appropriation for, or withdrawal from, the stabilization of rates and contingencies reserve is an amount established to maintain a sound financial position and to stabilize the effect of cost fluctuations.

Under the provisions of the Ontario Energy Board Act, a public hearing before the Ontario Energy Board is required in respect of any changes in electricity rates proposed by Ontario Hydro which affect its municipal utilities, direct industrial customers, or, if the Minister of Energy so directs, rural retail customers. The Ontario Energy Board submits its recommendations to the Minister of Energy. After considering the recommendations of the Ontario Energy Board, the Board of Directors of Ontario Hydro, under the authority of the Power Corporation Act, establishes the electricity rates to be charged to customers.

If the Board of Directors specifies a certain cost or gain is to be included in future electricity rates that, in accordance with the accounting policies summarized below, would be charged or credited to operations in the current year, then this cost or gain is deferred and amortized to future operations on a basis consistent with its inclusion in rates.

Fixed assets

Fixed assets in service include operating facilities and non-operating reserve facilities. Construction in progress includes fixed assets under construction and heavy water held for use in nuclear generating stations under construction.

Fixed assets are capitalized at cost which comprises material, labour, engineering costs, and the costs of training initial operating staff for new facilities as well as overheads, depreciation on service equipment, and interest applicable to capital construction activities. In the case of generation facilities, the cost also includes the net cost of commissioning, and for nuclear generation, the cost of heavy water. The net cost of commissioning is the cost of start-up less the value attributed to energy produced by generation facilities during their commissioning period. The cost of heavy water comprises the direct cost of production and applicable overheads, as well as interest and depreciation on the heavy water production facilities. For multi-unit facilities, a proportionate share of the cost of common facilities is placed in service with each major operating unit. Leases which transfer the benefits and risks of ownership of assets to Ontario Hydro are capitalized.

Interest is capitalized on construction in progress at rates (1985 — 13.9 per cent, 1984 — 13.8 per cent) which approximate the average cost of long-term funds borrowed in the years in which expenditures have been made for fixed assets under construction. If the construction period of a project is extended and the construction activities are continued, interest is capitalized during the period of extension provided that the project has a reasonable expectation of being completed.

If a project is cancelled or deferred indefinitely with a low probability of construction being resumed, all costs including the costs of cancellation are written off to operations.

If fixed assets are removed from operations and mothballed for future use, termed non-operating reserve facilities, the costs of mothballing are charged to operations.

Depreciation

The capital costs of fixed assets in service are depreciated on a straight-line basis. Depreciation rates for the various classes of assets are based on their estimated service lives. Major components of generating stations are depreciated over the lesser of the service life expectancy of the component or the remaining service life of the associated generating station.

ONTARIO HYDRO

The estimated service lives of assets for 1985 and 1984 in the major classes are:

Generating stations – hydraulic	– 65 to 100 years
– fossil	– 25 to 35 years
– nuclear	– 40 years
Heavy water	– over the period ending in the year 2040
Transmission and distribution	– 20 to 55 years
Administration and service	– 5 to 60 years
Heavy water production facilities	– 20 years

In accordance with group depreciation practices, for normal retirements the cost of fixed assets retired is charged to accumulated depreciation with no gain or loss being reflected in operations. However, gains and losses on sales of fixed assets, and losses on premature retirements are charged to operations in the year incurred as adjustments to depreciation expense.

When the costs of removal less residual value, termed removal costs, on retirements of fixed assets can be reasonably estimated and are significant, provisions for these costs are charged to depreciation expense on an annuity basis over the remaining service life of the related fixed assets. Other removal costs are charged to depreciation expense as incurred. Removal costs include the estimated costs of decommissioning nuclear stations and the estimated costs of removing certain nuclear reactor fuel channels.

Changes in the estimated service lives of fixed assets and in the significant assumptions underlying the estimates of fixed asset removal costs are subject to periodic review. Such changes are implemented on a remaining service life basis from the year the changes can be first reflected in electricity rates.

Non-operating reserve facilities are amortized so that any estimated loss in value is charged to depreciation expense on a straight-line basis over their expected non-operating period.

Unamortized advances for fuel supplies

As part of its program to ensure the adequate supply of fuels for its generating stations, Ontario Hydro has entered into long-term fuel supply contracts. Where these contracts require Ontario Hydro to make payments for pre-production costs to suppliers in advance of the fuel delivery, these payments and associated costs, including interest, are carried in the accounts as unamortized advances for fuel supplies. The advances are amortized to fuel inventory as the fuels are delivered.

Fuel for electric generation

Fuel used for electric generation comprises the average inventory costs of fuel consumed, charges for commissioning energy produced, and provisions for disposal of nuclear fuel irradiated during the period. The inventory cost of fuel consumed comprises fuel purchases, transportation and handling costs, and the amortization of advances for fuel supplies. Transportation costs include charges for interest and depreciation on railway equipment owned by Ontario Hydro. The charges for commissioning energy produced during the period represent the incremental operating and fuel costs of producing the same quantity of energy at generating units displaced because of the commissioning activity. The costs for disposal of nuclear fuel irradiated in each period are charged to operations based on estimated future expenditures and interest accumulating to the estimated date of disposal. Estimates of expenditures, interest and escalation rates, and the date of disposal are subject to periodic review. Adjustments resulting from changes in estimates are charged to operations on an annuity basis over the period from the year the changes can be first reflected in electricity rates to the estimated in-service date of the disposal facility.

Foreign currency translation

Current monetary assets and liabilities are translated to Canadian currency at year-end rates of exchange and the resulting gains or losses are credited or charged to operations. Long-term debt payable in foreign currencies is translated to Canadian currency at year-end rates of exchange. Resulting unrealized exchange gains or losses are deferred and included in unamortized debt costs, and are amortized to operations on an annuity basis over the remaining life of related debt. Foreign exchange gains or losses on early redemption of long-term debt are deferred and included in unamortized debt costs, and are amortized to operations on an annuity basis over the average life of debt denominated in the same currency issued during the previous year.

Unamortized debt costs

Unamortized debt costs include the unamortized amounts related to unrealized foreign exchange gains or losses resulting from the translation of foreign currency long-term debt, foreign exchange gains or losses on the early redemption of long-term debt, and discourts or premiums arising from the issuance of debt or the acquisition of debt prior to maturity.

ONTARIO HYDRO

Debt discounts or premiums arising on the issuance of debt are amortized over the period to maturity of the debt. Discounts or premiums on debt acquired prior to the date of maturity are amortized over the period from the acquisition date to the original maturity date of the debt.

Nuclear agreement — Pickering units 1 and 2

Ontario Hydro, Atomic Energy of Canada Limited and the Province of Ontario are parties to a joint undertaking for the construction and operation of units 1 and 2 of Pickering Nuclear Generating Station, with ownership of these units being vested in Ontario Hydro. Contributions to the capital cost by Atomic Energy of Canada Limited and the Province of Ontario amounted to $258 million and these have been deducted in arriving at the value of fixed assets in service in respect of Pickering units 1 and 2. Ontario Hydro is required to make monthly payments until the year 2001 to each of the parties in proportion to their capital contributions. These payments, termed "payback", represent in a broad sense the net operational advantage of having the power generated by Pickering units 1 and 2 as compared with coal-fired units similar to Lambton units 1 and 2.

Pension plan

The pension plan is a contributory, defined benefit plan covering all regular employees of Ontario Hydro. Ontario Hydro is responsible for all deficiencies and surpluses in the pension plan. Pension costs, as actuarially determined, consist of current service costs and amounts required to amortize any surpluses or unfunded liabilities. A net unfunded liability arising from past service obligations is amortized up to fifteen years. All other net unfunded liabilities or net surpluses in the fund are amortized up to five years.

Research and development

Research and development costs are charged to operations in the year incurred, except for those related directly to the design or construction of a specific capital facility which are capitalized as part of the facility.

Statement of Operations
for the year ended December 31, 1985

	1985	1984
	millions of dollars	
Revenues		
Primary power and energy		
Municipal utilities	2,891	2,555
Rural retail customers	815	712
Direct industrial customers	568	516
	4,274	3,783
Secondary power and energy (note 1)	351	429
	4,625	4,212
Costs		
Operation, maintenance and administration	966	884
Fuel used for electric generation	968	1,036
Water rentals (note 2)	87	61
Power purchased	163	149
Nuclear agreement — payback (note 3)	(75)	(36)
Depreciation (note 4)	655	476
	2,764	2,570
Income before financing charges	1,861	1,642
Interest (note 5)	1,325	949
Foreign exchange (note 6)	176	118
	1,501	1,067
Net income	360	575
Appropriation for:		
Debt retirement	252	210
Stabilization of rates and contingencies	108	365
	360	575

See accompanying summary of significant accounting policies and notes to financial statements.

ONTARIO HYDRO

Statement of Financial Position as at December 31, 1985

	1985	1984
	millions of dollars	
Assets		
Fixed assets (note 7)		
Fixed assets in service	20,604	17,215
Less accumulated depreciation	4,614	4,069
	15,990	13,146
Construction in progress	8,159	9,001
	24,149	22,147
Current assets		
Cash and short-term investments	18	658
Accounts receivable	550	442
Fuel for electric generation (note 8)	1,015	973
Materials and supplies, at cost	215	179
	1,798	2,252
Other assets		
Unamortized debt costs	1,897	1,447
Unamortized advances for fuel supplies (note 9)	899	883
Unamortized deferred costs (note 10)	313	358
Long-term accounts receivable and other assets	264	214
	3,373	2,902
	29,320	27,301

See accompanying summary of significant accounting policies and notes to financial statements.

Auditors' Report

To the Board of Directors of Ontario Hydro:

We have examined the statement of financial position of Ontario Hydro as at December 31, 1985 and the statements of operations, equities accumulated through debt retirement appropriations, reserve for stabilization of rates and contingencies and source of cash used for investment in fixed assets for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of Ontario Hydro as at December 31, 1985 and the results of its operations and the source of cash used for investment in fixed assets for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada,
March 10, 1986.

CLARKSON GORDON
Chartered Accountants

ONTARIO HYDRO

Liabilities

	1985	1984
	millions of dollars	
Long-term debt (note 11)	22,518	20,659
Current liabilities		
Accounts payable and accrued charges	549	616
Short-term notes payable	223	49
Accrued interest	710	672
Long-term debt payable within one year	407	847
	1,889	2,184
Other liabilities		
Long-term accounts payable and accrued charges	158	152
Accrued irradiated fuel disposal and fixed asset removal costs (note 12)	311	222
	469	374
Contingencies (notes 3, 9 and 13)		
Equity		
Equities accumulated through debt retirement appropriations	2,618	2,366
Reserve for stabilization of rates and contingencies	1,699	1,591
Contributions from the Province of Ontario as assistance for rural construction	127	127
	4,444	4,084
	29,320	27,301

On behalf of the Board:

Tom Campbell
Chairman

Robert Franklin
President

Toronto, Canada,
March 10, 1986.

ONTARIO HYDRO

Statement of Equities Accumulated through Debt Retirement Appropriations for the year ended December 31, 1985

	Municipal Utilities	Power District (Rural Retail and Direct Industrial Customers)	Totals	
			1985	1984
	millions of dollars			
Balances at beginning of year	1,653	713	2,366	2,156
Appropriation	172	80	252	210
Transfers and refunds on annexations by municipal utilities	2	(2)	—	—
Balances at end of year	1,827	791	2,618	2,366

Statement of Reserve for Stabilization of Rates and Contingencies for the year ended December 31, 1985

	Held for the benefit of all customers	Held for the benefit of (or recoverable from) certain groups of customers			Totals	
		Municipal Utilities	Rural Retail Customers	Direct Industrial Customers	1985	1984
	millions of dollars					
Balances at beginning of year	1,614	1	(23)	(1)	1,591	1,226
Appropriation	128	—	(16)	(4)	108	365
Balances at end of year	1,742	1	(39)	(5)	1,699	1,591

See accompanying summary of significant accounting policies and notes to financial statements.

ONTARIO HYDRO

Statement of Source of Cash Used for Investment in Fixed Assets for the year ended December 31, 1985

	1985	1984
	millions of dollars	
Operating activities		
Cash provided from operations (note 14)	1,055	1,088
Financing activities		
Long-term debt issued	1,781	2,153
Less retirements	1,024	397
Cash provided from financing	757	1,756
Investing activities in other assets —decrease (increase) (note 14)	18	(28)
Cash from operating, financing and other investing activities	1,830	2,816
Changes in cash and cash equivalents —decrease (increase)	814	(277)
Cash used for investment in fixed assets	2,644	2,539
Changes in accounts payable and accrued charges affecting investment in fixed assets —(decrease) increase	(103)	85
Investment in fixed assets	2,541	2,624

See accompanying summary of significant accounting policies and notes to financial statements.

Notes to Financial Statements

1. Secondary power and energy

Secondary power and energy revenues include $350 million (1984 — $427 million) from sales of electricity to United States utilities.

2. Water rentals

Water rentals are the amounts paid primarily to the Province of Ontario for the use of water for hydraulic generation.

3. Nuclear agreement — payback

During 1983, units 1 and 2 of the Pickering Nuclear Generating Station were shut down for replacement of pressure tubes and did not operate for a period of time in 1983, and during 1984 and 1985. The Nuclear Agreement, which is described in the Summary of Significant Accounting Policies, allows maintenance and overhead costs during the shutdown period to be included in payback calculations. The calculations have resulted in negative payback amounts of $8 million in 1983, $36 million in 1984 and $75 million in 1985. These amounts, totalling $119 million, have been credited against the costs of operations for the respective years and are included in "long-term accounts receivable and other assets". The basis for this accounting treatment is the belief by Ontario Hydro that under the Nuclear Agreement, these amounts, termed "negative payback", plus interest, can be offset against future positive payback amounts payable to the Province of Ontario and to Atomic Energy of Canada Limited when the units return to service. Atomic Energy of Canada Limited has objected to this interpretation and takes the position that "negative payback" is not to be offset against future positive payback amounts. The interpretation of the Nuclear Agreement and the manner of recovering costs associated with the rehabilitation of units 1 and 2 are being discussed among the parties to the Nuclear Agreement.

In accordance with an agreement dated March 14, 1983, between Atomic Energy of Canada Limited and Ontario Hydro, provisions for irradiated fuel disposal costs related to Pickering Nuclear Generating Station units 1 and 2 have been included, subject to further discussions, in the calculation of payback for the years 1982, 1983 and 1984. The parties to the Nuclear Agreement are discussing whether these provisions are properly allowable costs for the period 1982 to 1984, and also whether such costs should continue to be included in the calculation of payback subsequent to 1984. Atomic Energy of Canada Limited and the Province of Ontario's share of irradiated fuel disposal costs included in the calculation of payback for the years 1982, 1983 and 1984 totalled $16 million at December 31, 1984. The provisions for 1985 are not significant as the Pickering units 1 and 2 did not operate during the year.

ONTARIO HYDRO

Notes to Financial Statements — Continued

4. Depreciation

	1985	1984
	millions of dollars	
Depreciation of fixed assets in service	594	511
Amortization of deferred costs	39	40
Provision for net removal costs	104	30
Other removal costs	10	13
	747	594
Less:		
Depreciation charged to — heavy water production	50	80
— construction in progress	27	26
— fuel for electric generation	2	2
Net gain on sales of fixed assets	13	10
	92	118
	655	476

5. Interest

	1985	1984
	millions of dollars	
Interest on bonds, notes, and other debt	2,523	2,298
Interest on accrued irradiated fuel disposal and fixed asset removal costs	28	24
	2,551	2,322
Less:		
Interest charged to — construction in progress	933	1,063
— heavy water production	116	117
— fuel for electric generation	102	97
— unamortized advances for fuel supplies	15	16
Interest earned on investments	60	80
	1,226	1,373
	1,325	949

6. Foreign exchange

	1985	1984
	millions of dollars	
Amortization of foreign exchange gains and losses	190	120
Net exchange gain on other foreign transactions	(14)	(2)
	176	118

7. Fixed assets

	1985		
	Assets in Service	Accumulated Depreciation	Construction in Progress
	millions of dollars		
Generating stations — hydraulic	1,830	544	11
— fossil	2,836	697	32
— nuclear	6,805	718	6,561
Heavy water	1,605	136	1,187
Transmission and distribution	4,462	1,182	304
Administration and service	915	383	64
Heavy water production facilities	1,128	285	—
Non-operating reserve facilities			
— fossil generating stations	786	432	—
— heavy water production facilities	237	237	—
	20,604	4,614	8,159

ONTARIO HYDRO

Notes to Financial Statements — Continued

7. Fixed assets — Continued

	1984		
	Assets in Service	Accumulated Depreciation	Construction in Progress
	millions of dollars		
Generating stations — hydraulic	1,818	514	13
— fossil	2,041	629	655
— nuclear	4,898	542	6,747
Heavy water	1,149	112	1,308
Transmission and distribution	4,310	1,088	241
Administration and service	845	341	37
Heavy water production facilities	1,123	232	—
Non-operating reserve facilities			
— fossil generating stations	794	374	—
— heavy water production facilities	237	237	—
	17,215	4,069	9,001

Non-operating reserve facilities consist of Lennox, R. L. Hearn, J. C. Keith and Thunder Bay unit 1 fossil generating stations, and Bruce Heavy Water Plant "A". Substantially all of the undepreciated cost of non-operating reserve facilities is related to Lennox generating station, which based on current forecasts, is expected to return to operations in the late 1990s.

Construction in progress at December 31, 1985:

	Remaining Number of Units Scheduled	Planned In-Service Dates	Dependable Capacity to be Placed in Service	Costs Incurred to December 31, 1985	Estimated Costs to Complete (Excluding Escalation and Interest)
			megawatts	millions of dollars	
Nuclear generating stations (including heavy water)					
Pickering "B"	1	1986	516	924	56
Bruce "B"	2	1986-87	1,590	2,730	134
Darlington	4	1988-92	3,524	3,746	3,165
All other construction in progress	—	—	—	759	—
				8,159	

Estimated costs to complete are the most recent projections. These estimates exclude cost escalation and interest which are forecast to average 7% and 12% per year, respectively, over the period 1986 to 1992. Because of the uncertainties associated with long construction lead times and planned in-service dates, these costs to complete are subject to change.

The fuel channel replacement program for Pickering "A" units 1 and 2 is estimated to cost $415 million, excluding interest and escalation. Of this total, $262 million is to be capitalized as installation costs, and the remaining $153 million is related to the removal costs of the existing pressure tubes and is being recovered through charges to operations as described in note 12. The actual expenditures for installation costs, including interest of $30 million, totalled $160 million as of December 31, 1985 and are included in all other construction in progress in the above table. The first two units of Pickering "A" are expected to be returned to service in 1987.

For 1986, additional investment in fixed assets is estimated to be approximately $2,465 million including escalation and interest.

ONTARIO HYDRO

Notes to Financial Statements — Continued

8. Fuel for electric generation

	1985	1984
	millions of dollars	
Inventories — uranium	533	427
— coal	482	546
	1,015	973

9. Unamortized advances for fuel supplies

	1985	1984
	millions of dollars	
Uranium — Rio Algom Limited	450	447
— Denison Mines Limited	355	354
	805	801
Coal	94	82
	899	883

Unamortized advances for fuel supplies are recovered as fuel is delivered. Contractual obligations for additional advance payments for uranium supplies together with interest capitalization approximately equal the amortization of advances for uranium supplies over the next five years.

Ontario Hydro has entered into long-term contracts with Denison Mines Limited and Rio Algom Limited for uranium supplies through to 2012 and 2024, respectively. Ontario Hydro's current forecast of the annual requirements for uranium is approximately 1,200 megagrams for 1986, increasing to approximately 1,800 megagrams by 1994. The forecasted requirements and contracted deliveries are in balance up to 1994. Commencing in 1994 through to 2012, contracted deliveries exceed requirements of the nuclear generating facilities currently in service and under construction by approximately 900 megagrams per year. Ontario Hydro's options for managing the oversupply include resale of the uranium and, under specified conditions, cancellation or renegotiation of the contracts. In the event that a contract is cancelled, the supplier is not required to refund any outstanding advances. At this time, the likelihood of a contract cancellation and the financial implications of pursuing the options are not determinable.

10. Unamortized deferred costs

	1985	1984
	millions of dollars	
Bruce Heavy Water Plant "D"	280	317
Wesleyville Generating Station	33	41
	313	358

Bruce Heavy Water Plant "D" is an indefinitely deferred project with a low probability of construction being resumed. The capital cost of this project and the unamortized deferred costs associated with the cancelled Wesleyville generating station project were not written off directly to operations since the Board of Directors under its rate setting authority decided that these costs be amortized for recovery through electricity rates over the period 1984 through 1993, which results in an annual charge of $39 million for 1985.

11. Long-term debt

	1985	1984
	millions of dollars	
Bonds and notes payable	22,728	21,293
Other long-term debt	197	213
	22,925	21,506
Less payable within one year	407	847
	22,518	20,659

ONTARIO HYDRO

Notes to Financial Statements — Continued

11. Long-term debt — Continued

Bonds and notes payable:

Bonds and notes payable, expressed in Canadian dollars, are summarized by years of maturity and by the currency in which they are payable in the following table:

Years of Maturity	1985 Principal Outstanding			1985 Weighted Average Coupon Rate	1984 Principal Outstanding	1984 Weighted Average Coupon Rate
	Canadian	Foreign	Total	per cent	Total	per cent
	millions of dollars				millions of dollars	
1985	—	—	—		827	
1986	150	236	386		351	
1987	732	307	1,039		991	
1988	852	339	1,191		1,158	
1989	519	828	1,347		1,323	
1990	953	803	1,756		—	
1 — 5 years	3,206	2,513	5,719	11.5	4,650	11.7
6 — 10 years	2,207	2,819	5,026	12.8	4,882	12.7
11 — 15 years	1,687	786	2,473	9.5	1,807	8.6
16 — 20 years	2,676	1,420	4,096	11.2	4,010	11.6
21 — 25 years	1,740	2,265	4,005	10.5	4,168	9.9
26 — 30 years	323	1,086	1,409	14.8	1,776	14.5
	11,839	10,889	22,728	11.5	21,293	11.6
Currency in which payable:						
Canadian dollars			11,839		10,658	
United States dollars			10,699		10,498	
Swiss francs			122		92	
West German Deutsche marks			41		45	
United Kingdom pounds sterling			27		—	
			22,728		21,293	

Bonds and notes payable in United States dollars include Canadian $7,190 million (1984 — Canadian $6,966 million) of Ontario Hydro bonds held by the Province of Ontario and having terms identical with Province of Ontario issues sold in the United States on behalf of Ontario Hydro. Bonds and notes payable are either held, or guaranteed as to principal and interest, by the Province of Ontario.

Other long-term debt:

	Years of Maturity	Interest Rate	1985	1984
		per cent	millions of dollars	
Balance due to Atomic Energy of Canada Limited on purchase of Bruce Heavy Water Plant "A"	1992	7.8	137	150
Capitalized lease obligation for the Head Office building, payable in U.S. dollars	2005	8.0	53	51
Capitalized lease obligations for transport and service equipment	1986 to 1988	6.8 to 11.0%	7	12
			197	213

ONTARIO HYDRO

Notes to Financial Statements — Continued

11. Long-term debt — Continued

Payments required on the above debt, excluding interest, will total $103 million over the next five years. The amount payable within one year is $21 million (1984 — $20 million).

12. Accrued irradiated fuel disposal and fixed asset removal costs

	1985	1984
	millions of dollars	
Accrued irradiated fuel disposal costs	189	147
Accrued fixed asset removal costs	122	75
	311	222

Irradiated fuel disposal costs:

The significant assumptions used in estimating the future irradiated fuel disposal costs were:

— an in-service date of the year 2010 for irradiated nuclear fuel disposal facilities;
— a transportation distance of 1,000 kilometres from nuclear generating facilities to disposal facilities;
— interest rates through to the disposal date ranging from 10% to 15% (1984 — 10% to 16%); and
— escalation rates through to the disposal date ranging from 5% to 12% (1984 — 6% to 12%).

Because of the uncertainties associated with the technology of disposal, and the above factors, these costs are subject to change.

Fixed asset removal costs:

Fixed asset removal costs are the costs of decommissioning nuclear generating stations after the end of their service lives, and the costs of removing certain fuel channels from nuclear reactors which are expected to be replaced during the life of the reactors.

The significant assumptions used in estimating decommissioning costs were:

— decommissioning on the deferred dismantlement basis (dismantlement following storage with surveillance for a 30-year period after shutdown of the reactors);
— a transportation distance of 1,000 kilometres from nuclear generating facilities to disposal facilities;
— interest rates through to 2061 ranging from 10% to 15% (1984 — 10% to 16%); and
— escalation rates through to 2061 ranging from 5% to 12% (1984 — 6% to 12%).

The significant assumptions used in estimating the fuel channel removal costs were:

— removal of fuel channels in Pickering Nuclear Generating Station "A" units 1 and 2 in the 1984 to 1987 period, and units 3 and 4 in the 2000 to 2003 period, and Bruce Nuclear Generating Station "A" units 1 to 3 in the 2002 to 2007 (1984 — 1998 to 2006) period;
— interest rates through to 2007 (1984 — to 2006) ranging from 10% to 13% (1984 — 10% to 16%); and
— escalation rates through to 2007 (1984 — to 2006) ranging from 6% to 9% (1984 — 6% to 11%).

Because of the uncertainties associated with the technology of decommissioning and fuel channel removal, and the above factors, these costs are subject to change.

The fuel channel removal costs incurred to date of $89 million related to Pickering "A" units 1 and 2 exceed the amounts provided as of December 31, 1985 by $11 million. The amount of $11 million is included with "Long-term accounts receivable and other assets" and will be recovered by way of annual provision through to 1987 when both units are expected to return to service.

ONTARIO HYDRO

Notes to Financial Statements — Continued

13. Fuel oil contract

Ontario Hydro contracted with Petrosar Limited for the purchase of 20,000 barrels of residual fuel oil per day through to April, 1992. Deliveries for the years 1981 and 1982 were 6% and 2%, respectively, of the contract quantities. No deliveries were taken during 1983, 1984 and 1985. Amounts have been charged to the costs of operations in prior years to provide for settlement with respect to reduced deliveries up to and including 1982. Ontario Hydro advised Petrosar Limited on May 24, 1983 that the contract is at an end due to Petrosar Limited's prior undertaking to the Government of Canada to limit its production of residual fuel oil to an amount less than the contracted quantities. Petrosar Limited has commenced actions claiming damages of $45.5 million and $59.9 million for failure to take the contract quantities in 1981 and 1982 respectively. Ontario Hydro has counterclaimed for $39.4 million paid to Petrosar Limited in 1980, 1981 and 1982 and an accounting for the difference between market and contract prices for residual fuel oil supplied since the date of such undertaking. The trial on this matter in the Supreme Court of Ontario commenced on November 25, 1985 and is expected to be completed in the latter part of March, 1986. At this time, the decision of the court and any financial implications for Ontario Hydro are not determinable.

14. Statement of Source of Cash Used for Investment in Fixed Assets

The Statement of Source of Cash Used for Investment in Fixed Assets reports changes in cash and cash equivalents, defined to be cash and short-term investments net of short-term notes payable, rather than working capital, which was the practice in prior years. The 1984 amounts have been reclassified to conform with the 1985 financial statement presentation.

Cash provided from operations is derived as follows:

	1985	1984
	millions of dollars	
Net Income	360	575
Items not requiring cash in the current year		
Depreciation	655	476
Amortization of foreign exchange gains and losses	190	120
Provision for irradiated fuel disposal costs	24	21
Nuclear agreement — payback	(75)	(36)
Other	21	21
Funds provided from operations	1,175	1,177
Changes in working capital, excluding cash and cash equivalents, and long-term accounts payable affecting operations — (increase)	(120)	(89)
Cash provided from operations	1,055	1,088

Investment in other assets is derived as follows:

	1985	1984
	millions of dollars	
Advances and related costs for fuel supplies	(37)	(46)
Less repayments and amortization of advances for fuel supplies	39	57
	2	11
Other	16	(39)
Investment in other assets — decrease (increase)	18	(28)

ONTARIO HYDRO

Notes to Financial Statements — Concluded

15. Pension and insurance plans

Ontario Hydro's employee benefit programs include pension and insurance plans. The assets of the pension, group life insurance and long-term disability plans and the changes in assets during the year are shown in the financial statements of The Pension and Insurance Fund, and are not included in Ontario Hydro's financial statements.

The most recent actuarial valuation of Ontario Hydro's pension plan as at December 31, 1984 reported a surplus of approximately $220 million (December 31, 1983 — $115 million). The increase in the pension plan surplus during 1984 is attributable to an experience surplus of $133 million, partially offset by the amortization of $28 million of the established surplus. On January 1, 1985, $42 million of the $220 million surplus was applied towards plan improvements to the pension plan.

The significant actuarial assumptions used in the 1984 and 1983 valuations were:
— rate used to discount future investment income — 8.5%, and future benefits — 8%;
— salary escalation rate — 8%;
— average retirement age for males — 60.3 (1983 — 61.2) and for for females — 61.2 (1983 — 60.7); and
— corporate shares valuation — five-year average.

The pension plan costs for 1985 were $21 million (1984 — $51 million) after the deduction of $58 million (1984 — $28 million) for the amortization of pension plan surplus.

The group life insurance plan had a surplus of approximately $34 million as of December 31, 1985 (December 31, 1984 — $33 million). This surplus, subject to approval by an order-in-council from the Province of Ontario, will be used to pay the insurance premiums for all employees who are members of the plan.

16. Research and development

In 1985, approximately $63 million of research and development costs were charged to operations and $17 million were capitalized (1984 — $55 million and $17 million, respectively).

ONTARIO INTERNATIONAL CORPORATION

Balance Sheet
as at March 31, 1986

ASSETS

	1986 $	1985 $
Cash and short term investments		
— general fund	473,286	509,438
— trust fund	3,110	27,808
Accounts receivable and accrued interest	8,492	140,640
Contracts in process	246,138	255,576
Total assets	731,026	933,462

LIABILITIES

Accounts payable and accrued liabilities	5,197	225,786
Trust fund (note 3)	3,110	27,808
Unearned revenue (note 4)	528,940	545,654
	537,247	799,248

EQUITY

Retained income	113,855	54,290
Contribution from the Province of Ontario	79,924	79,924
	193,779	134,214
Total liabilities and equity	731,026	933,462

See accompanying notes to financial statements.

On behalf of the Corporation :

Chairman

President

To the Ontario International Corporation and
to the Minister of Industry, Trade and Technology.

I have examined the balance sheet of the Ontario International Corporation as at March 31, 1986 and the statement of operations and retained income for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Corporation as at March 31, 1986 and the results of its operations for the year then ended in accordance with the accounting policies described in note 2 to the financial statements applied on a basis consistent with that of the preceding year.

A report on the audit has been made to the Corporation and to the Minister of Industry, Trade and Technology.

Toronto, Ontario,
June 19, 1986.

D.F. Archer, F.C.A.,
Provincial Auditor.

ONTARIO INTERNATIONAL CORPORATION

Statement of Operations and Retained Income for the year ended March 31, 1986

	1986 $	1985 $
Contract revenue	312,623	364,740
Contract expenditure	290,235	333,912
Net contract revenue	22,388	30,828
Administrative Expenses		
Salaries and benefits	980,726	904,340
Transportation and communication	326,554	306,633
Services	299,709	281,506
Supplies and equipment	47,022	114,414
	1,654,011	1,606,893
Loss from operations	1,631,623	1,576,065
Other income	37,177	23,462
Recovery from the Province of Ontario (note 5)	1,654,011	1,606,893
	1,691,188	1,630,355
Net income	59,565	54,290
Retained income, beginning of year	54,290	—
Retained income, end of year	113,855	54,290

See accompanying notes to financial statements.

Notes to Financial Statements March 31, 1986

1. BACKGROUND

The Ontario International Corporation was constituted on June 16, 1980 by Ontario Regulation 241 pursuant to section 5 of the Development Corporations Act. The Corporation was established without share capital.

Order in Council 400/84 dated February 16, 1984 directed the transfer of all assets and liabilities of the Ontario Educational Services Corporation (OESC) to the Corporation. On February 14, 1986, OESC was officially dissolved.

The objectives of the Corporation now include developing and promoting the export of Ontario goods and services on a competitive basis in domestic and international markets; the study, promotion and assistance of Ontario's educational and training resources for use in the international marketplace, as well as the provision of educational and training services to the private and public sectors, both domestic and international.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles except for fixed assets which are expensed when purchased, and administrative expenses which are recognized on a cash basis modified to allow an additional 24 days to pay for goods and services pertaining to the fiscal year just ended.

(b) Contract revenue recognition

The percentage of completion method is used when the degree of completion of a contract can be objectively determined and related expenses can be reasonably estimated. When this is not possible, the revenue is recognized upon completion of the contract.

ONTARIO INTERNATIONAL CORPORATION

Notes to Financial Statements — Concluded
March 31, 1986

2. SIGNIFICANT ACCOUNTING POLICIES — Continued

(c) Contracts in process

Contracts in process are valued at the lower of cost and net realizable value. Cost consists primarily of payments made to subcontractors and suppliers for services rendered and expenditures incurred under the contracts. Payroll and other operating costs of the Corporation are excluded on the basis that they are largely administrative costs and are not normally recoverable under the terms of the contracts.

(d) Contribution from the Province of Ontario

The contribution from the Province of Ontario relates to the net assets acquired from the OESC for which no consideration was paid.

3. TRUST FUND

The Corporation administers a trust fund on behalf of the Ministry of Education of Oman for payment of all approved educational, living and related miscellaneous expenses of Omani students attending various Ontario universities and colleges.

4. UNEARNED REVENUE

Under the terms of agreements with various foreign governments, amounts totalling $528,940 have been received for services not yet provided.

5. RECOVERY FROM THE PROVINCE OF ONTARIO

Administrative expenses are recovered from the Ministry of Industry, Trade and Technology out of moneys appropriated therefor by the Legislature of the Province of Ontario.

6. SUBSEQUENT EVENT

In June 1986, the Corporation signed a $7.5 million contract with the Canadian International Development Agency to implement a project to assist Zimbabwe in the area of human resources. This contract will be carried out by a consortium led by the Corporation.

THE ONTARIO JUNIOR FARMER ESTABLISHMENT LOAN CORPORATION

Balance Sheet
as at March 31, 1986

ASSETS

	1986	1985
	$	$
Cash — general	34,405	33,276
— funds held in trust (note 2)	53,097	39,380
Mortgage loans		
— interest due and accrued	1,197,998	1,248,460
— principal	33,876,994	37,320,031
	35,162,494	38,641,147

LIABILITIES

Contribution due to the Treasurer of Ontario (note 4)	38,817	37,142
Funds held in trust (note 2)	53,097	39,380
Capital advances due to the Treasurer of Ontario including accrued interest	35,070,580	38,564,625
	35,162,494	38,641,147

See accompanying notes to financial statements.

On behalf of the Board:

Chairman

Vice-Chairman

To The Ontario Junior Farmer Establishment Loan Corporation,
to the Minister of Agriculture and Food, and
to the Treasurer of Ontario.

I have examined the balance sheet of The Ontario Junior Farmer Establishment Loan Corporation as at March 31, 1986 and the statement of operations for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Corporation as at March 31, 1986 and the results of its operations for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

A report on the audit has been made to the Corporation, to the Minister and, in accordance with section 8 of the Junior Farmer Establishment Act, to the Treasurer of Ontario.

Toronto, Ontario,
May 28, 1986.

D.F. Archer, F.C.A.,
Provincial Auditor.

THE ONTARIO JUNIOR FARMER ESTABLISHMENT LOAN CORPORATION

Statement of Operations
for the year ended March 31, 1986

	1986 $	1985 $
Revenue		
Mortgage interest (note 5)	1,782,653	1,960,877
Miscellaneous	6,644	4,390
	1,789,297	1,965,267
Expense (note 3)		
Interest on capital advances — Treasurer of Ontario (note 5)	2,400,480	2,628,125
Operating loss for the year	611,183	662,858
Contribution by the Treasurer of Ontario (note 4)	611,183	662,858

See accompanying notes to financial statements.

Notes to Financial Statements
March 31, 1986

1. STATUS OF CORPORATION

The Corporation has not accepted any new mortgage loan applications since 1969 and the final mortgage instalments on outstanding loans are payable in 1999.

2. FUNDS HELD IN TRUST

The provisions of the Corporation's mortgage indentures allow the Corporation, without taking title through foreclosure, to sell a farm property in certain circumstances for cash or credit.

In prior years, the Corporation had sold a number of properties and had taken back mortgages, some of which were for a greater amount than the outstanding balance on the original mortgage. This additional amount as of March 31, 1986 of $98,400 (1985 — $104,400) including accrued interest has not been recorded in the financial statements as the Corporation has no obligation until payments are actually received on account of these additional amounts.

All mortgage payments received are applied first against the amount of the original mortgage with the remaining payments held in trust for the original owner or other claimants by the Corporation. When the mortgage has been fully repaid by the new purchaser, the funds held in trust will be distributed.

3. ADMINISTRATION EXPENSES

Salaries of the Corporation's staff and sundry administrative costs have been absorbed by the Ministry of Agriculture and Food and are not included in the statement of operations.

4. CONTRIBUTION DUE TO THE TREASURER OF ONTARIO

The cost of the loan program, which is represented by the net operating loss for the year, is paid out of moneys appropriated therefor by the Legislature. The payable of $38,817 (1985 — $37,142) represents the amount due back to the Treasurer of Ontario for the current year's operating loss exceeded by advances received to date.

5. INTEREST ON MORTGAGES AND CAPITAL ADVANCES

Interest earned by the Corporation on its mortgage loans is fixed by legislation and averages approximately 5 per cent per annum. Interest payable by the Corporation on capital advances from the Treasurer of Ontario has been established by the Treasurer of Ontario at 6.7 per cent. This interest differential is the primary reason for the Corporation's excess of expense over revenue.

ONTARIO LAND CORPORATION

Balance Sheet
March 31, 1986

	Notes	1986 ($'000)	1985 ($'000)
ASSETS			
Real Estate	1	276,778	516,772
Mortgages and Loans	2	361,889	465,157
Cash and Marketable Securities	3	86,257	75,959
		724,924	1,057,888
Mortgage Guarantee Fund	10	2,637	2,391
LIABILITIES			
Long-term Debt			
Treasurer of Ontario	4	323,075	872,301
Canada Mortgage and Housing Corporation	5	99,929	102,692
		423,004	974,993
Accounts Payable and Accrued Liabilities		8,511	8,012
		431,515	983,005
EQUITY			
Contributed Surplus		249,267	—
Retained Earnings		44,142	74,883
		293,409	74,883
		724,924	1,057,888
Mortgage Guarantee Fund	10	2,637	2,391

On Behalf of the Board:

Director

Director

ONTARIO LAND CORPORATION

Statement of Earnings
Year Ended March 31, 1986

	Notes	1986 ($'000)	1985 ($'000)
REVENUES			
Sale of Land		19,458	13,891
Rent from Land Leased to Homeowners		2,824	2,877
Interest on Mortgages and Loans		42,233	49,804
Interest on Cash and Marketable Securities		12,212	13,344
Other	6	7,342	3,258
		84,069	83,174
EXPENSES			
Cost of Land Sold		15,927	11,931
Interest	7	50,954	58,644
Other	8	421	397
		67,302	70,972
NET EARNINGS BEFORE EXTRAORDINARY ITEM		16,767	12,202
EXTRAORDINARY ITEM			
Writedown of Assets	9	(47,508)	—
NET EARNINGS (LOSS) FOR THE YEAR		(30,741)	12,202

Statement of Contributed Surplus
Year Ended March 31, 1986

	Notes	1986 ($'000)
Contributed Surplus, Beginning of Year		—
Debt forgiven by the Treasurer of Ontario	4	249,267
Contributed Surplus, End of Year		249,267

Statement of Retained Earnings
Year Ended March 31, 1986

	1986 ($'000)	1985 ($'000)
Retained Earnings, Beginning of Year	74,883	62,681
Net Earnings (Loss) for the Year	(30,741)	12,202
Retained Earnings, End of Year	44,142	74,883

ONTARIO LAND CORPORATION

Statement of Changes in Financial Position
Year Ended March 31, 1986

	1986 ($'000)	1985 ($'000)
SOURCE OF CASH		
Net Earnings Before Extraordinary Item	16,767	12,202
Depreciation and Other Non-Cash Items	93	149
Cash Provided from Operations	16,860	12,351
Real Estate Costs Realized Through Sales and Disposals	19,309	16,783
Net Reduction of Mortgages and Loans	62,026	49,811
Advances from the Treasurer of Ontario	4,757	4,571
	102,952	83,516
USE OF CASH		
Repayment of Long-term Debt	88,392	77,653
Development of Real Estate	4,761	8,166
Other Changes — Net	(499)	(1,434)
	92,654	84,385
INCREASE (DECREASE) IN CASH AND MARKETABLE SECURITIES	10,298	(869)

Summary of Significant Accounting Policies
March 31, 1986

Ontario Land Corporation (OLC) was incorporated in 1975 as a Crown Corporation without share capital under the Ontario Land Corporation Act. The Corporation manages 26,200 hectares of land acquired for land banking and development purposes, and 19,700 mortgages and 5,700 land leases issued under various housing programs. OLC is a partner with Canada Mortgage and Housing Corporation (CMHC) in certain land and mortgage programs, and earns administration fees for managing CMHC's interest in them. The Corporation is also a partner with various municipalities in certain mortgage programs.

The statements include the Corporation's proportionate share of the individual assets, liabilities, revenues and expenses of partnerships. No amounts are included in respect of salaries, benefits, or administrative expenses, as these are absorbed by the Ministry of Housing

The Corporation administers certain housing incentive programs as an agent of the Province. Advances under these programs are reflected in the Public Accounts, and are not included in the accounts of the Corporation.

Revaluation of Assets and Forgiveness of Debt

In the Provincial Budget of October 1985, the Treasurer of Ontario announced that the Corporation's landholdings would be written down to reflect current appraised value and then transferred to appropriate ministries or sold as market conditions permit. The budget further stated that the Corporation's mortgage portfolio would be written down to reflect existing market conditions, and that divestiture would proceed in a planned and business-like manner.

The Corporation subsequently initiated a series of appraisals and reviews of both its lands and commercial properties and its mortgage portfolio. The lands, whether for sale or leased to homeowners, and the commercial properties were written down to the lower of cost or appraised value, and the amount of debt due to the Treasurer of Ontario was reduced to equal the adjusted land values. The evaluation of the mortgage portolio indicated that a loss could be incurred on the sale of certain portions, and the carrying value and the corresponding debt were similarly reduced.

In anticipation of the transfer of these lands to ministries of the Province, the Treasurer then expensed all remaining land-related debt. This was done in accordance with Government accounting policy under which physical assets held by ministries are carried at nil book value. The Corporation has classified the amount so forgiven as Contributed Surplus.

ONTARIO LAND CORPORATION

Summary of Significant Accounting Policies — Concluded
March 31, 1986

Real Estate

Real estate consists of land inventory, land leased to homeowners, residential properties acquired upon default of mortgage loans, and commercial properties.

Land inventory cost consists of acquisition costs, planning and development costs, and ongoing carrying costs net of any rental revenue received. Where such cost was greater than appraised value as at March 31, 1986, the asset value has been reduced to the appraised value.

Land leased to homeowners represents the Corporation's interest in lots on which homes have been built. Effective March 31, 1986, the carrying value of these assets was reduced to reflect the actual lease yield. A lessee may, at his option, purchase and acquire title to the land.

Acquired property cost consists of the unpaid loan balances together with operating costs net of rents received. These properties are subsequently sold with the intention of recovering the value of the mortgages.

The net book value of commercial properties was reduced to equal the appraised value at March 31, 1986.

Depreciation of the commercial properties is recorded using the sinking fund method over a 40-year life for the properties. The sinking fund method provides a depreciation charge which increases at a rate compounded at 4% per annum, which is sufficient to fully depreciate the buildings over their anticipated useful lives.

Where land inventory is owned by the OLC/CMHC Partnership, interest is capitalized at rates set by CMHC. Interest is not capitalized on land wholly owned by the Corporation.

Mortgages and Loans

Mortgages and loans are carried at the amount due including interest and property taxes paid on behalf of the mortgagor, less an allowance for losses due to defaults. The book value of certain portions of the mortgage portfolio have been reduced to the estimated realizable value.

Cash and Marketable Securities

Marketable securities are carried at cost plus accrued interest.

Income Recognition

Income from the sale of real estate is recognized when title passes to the purchaser.

In previous years the Corporation sold individual lots and took back non-interest bearing deferred mortgages as part of the sales proceeds. A portion of the gain on each sale, equal to the amount of such mortgage, was deferred. The deferred gains are taken into income at the time when mortgage repayment commences.

ONTARIO LAND CORPORATION

Notes to Financial Statements
March 31, 1986

1. REAL ESTATE

	1986		1985
	(Corporation's Proportionate Share)		
		($'000)	($'000)
Land under development	154 Hectares	2,415	14,850
Land held for development or sale	25,247 Hectares	245,952	456,672
Land leased to homeowners	4,218 Lots	22,501	34,331
Acquired residential properties	143 Properties	5,010	7,161
Commercial properties	2 Properties	900	3,758
		276,778	516,772

Transactions during the year were:

	Land Inventory	Leased to Homeowners	Acquired Properties	Commercial Properties	Total
			($'000)		
Balance, March 31, 1985	471,522	34,331	7,161	3,758	516,772
Reacquisitions and settlements	1,248	—	1,512	—	2,760
Development costs	4,184	—	—	112	4,296
Capitalized interest	239	—	—	—	239
Carrying costs	3,432	—	686	—	4,118
Rent recoveries	(4,173)	—	(967)	—	(5,140)
Depreciation	—	—	—	(93)	(93)
Disposals	—	—	(3,382)	—	(3,382)
Cost of sales	(15,097)	(830)	—	—	(15,927)
Writedown of assets	(212,988)	(11,000)	—	(2,877)	(226,865)
Balance, March 31, 1986	248,567	22,501	5,010	900	276,778

The writedown of $226,865,000 represents the revaluation of these assets as outlined in the Summary of Significant Accounting Policies.

2. MORTGAGES AND LOANS

	1986 ($'000)	1985 ($'000)
Residential mortgages and agreements for sale:		
Insured under the National Housing Act	36,055	45,589
Uninsured (net of 1.5% allowance)	347,338	399,387
	383,393	444,976
Total (average interest rate 9.77%; 1985 — 10.30%)	20,184	23,267
Non-interest bearing deferred mortgages	7,375	8,780
Builders' mortgages	10,468	10,762
Municipalities and other	316	424
Ontario Development Corporation	67	215
Other receivables	421,803	488,424
Less: Deferred gains arising from non-interest bearing deferred mortgages	20,184	23,267
Writedown of mortgages	39,730	—
	361,889	465,157

The writedown of $39,730,000 represents the revaluation of certain residential mortgages as outlined in the Summary of Significant Accounting Policies.

ONTARIO LAND CORPORATION

Notes to Financial Statements — Continued
March 31, 1986

3. CASH AND MARKETABLE SECURITIES

	1986 ($'000)	1985 ($'000)
Cash and short-term investments	47,830	37,744
Securities maturing 1987 to 2005 (market value $40,252,000; 1985 — $37,500,000)	38,427	38,215
	86,257	75,959

4. LONG-TERM DEBT — TREASURER OF ONTARIO

The assets of the Corporation are financed mainly by loans from the Treasurer of Ontario. These loans are repayable as funds are realized from the assets. On March 31, 1986, the Treasurer of Ontario eliminated $468,354,000 of the Corporation's indebtedness as outlined in the Summary of Significant Accounting Policies. Details of this elimination are:

	($'000)
Applied to writedown of land	179,357
Applied to writedown of mortgages	39,730
Now reflected as Contributed Surplus	249,267
	468,354

Details of the remaining debt are:

	1986 ($'000)	1985 ($'000)
Interest bearing — Average rate 9.05% (1985 — 9.23%)	323,075	476,961
Non-interest bearing	—	390,718
Non-interest bearing to March 31, 1990	—	4,622
	323,075	872,301

5. LONG-TERM DEBT — CMHC

(a) Debt due to CMHC is repayable under two debentures due December 31, 2001. The weighted average interest rate is 8.93% (1985 — 8.93%). Principal repayments are as follows:

		($'000)
Year Ending March 31,	1987	3,011
	1988	3,281
	1989	3,576
	1990	3,898
	1991	4,251
Subsequent to	1991	81,912
		99,929

(b) The Corporation has established a debt retirement fund to provide for payment of the CMHC debentures. The elements of the fund are included under the appropriate classifications in the Balance Sheet. Details of the fund are:

	1986 ($'000)	1985 ($'000)
Cash and marketable securities	63,108	56,652
Residential mortgages	27,921	35,566
Acquired residential properties	—	24
	91,029	92,242

6. OTHER REVENUES

	1986 ($'000)	1985 ($'000)
Deferred gains realized	3,083	2,327
Administration and sundry fees	1,930	1,321
Rent from commercial properties	190	100
Adjustment of mortgages and acquired property allowances	2,139	(490)
	7,342	3,258

ONTARIO LAND CORPORATION

Notes to Financial Statements — Concluded
March 31, 1986

7. INTEREST

	1986 ($'000)	1985 ($'000)
Treasurer of Ontario	41,843	49,404
CMHC	9,350	9,580
	51,193	58,984
Capitalized to land inventory	(239)	(340)
	50,954	58,644

8. OTHER EXPENSES

	1986 ($'000)	1985 ($'000)
Operating expenses of commercial properties	300	264
Depreciation of commercial properties	93	87
Miscellaneous	28	46
	421	397

9. EXTRAORDINARY ITEM

As outlined in the Summary of Significant Accounting Policies, the Corporation revalued certain of its assets and concurrently the Treasurer of Ontario reduced its loan receivable. The net amount of the revaluation absorbed by the Corporation is as follows:

	($'000)
Total Writedown of Assets	266,595
Less: Forgiveness of related long-term debt	219,087
	47,508

10. MORTGAGE GUARANTEE FUND

The Corporation maintains a Mortgage Guarantee Fund which was established to satisfy any liability arising out of guarantees given for specific mortgages provided by private sector lenders. The outstanding balance of the mortgages so guaranteed is $8,036,000 (1985 - $11,290,000).

Details of the fund are:

	1986 ($'000)	1985 ($'000)
(i) Fund Continuity from Inception		
Fee revenue from borrowers	828	828
Interest income	1,801	1,556
	2,629	2,384
Net gain on guarantee operations	8	7
	2,637	2,391
(ii) Fund Assets		
Cash	122	71
Marketable securities (market value $2,021,000; 1985 – $1,620,000)	2,063	1,809
Mortgages receivable	410	511
Due from Ontario Land Corporation	42	—
	2,637	2,391

11. SUBSEQUENT EVENT

It is intended that Ontario Land Corporation will be dissolved by March 31, 1987. Its assets and liabilities will be transferred at no cost to the Ministry of Government Services or such other provincial ministries and agencies as considered appropriate.

11. COMPARATIVE FIGURES

Comparative figures have been reclassified to conform with the March 31, 1986 presentation.

ONTARIO LAND CORPORATION

To the Ontario Land Corporation and
to the Minister of Housing:

I have examined the balance sheet of Ontario Land Corporation as at March 31, 1986 and the statements of earnings, contributed surplus, retained earnings and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Corporation as at March 31, 1986 and the results of its operations and the changes in its financial position for the year then ended in accordance with the policies described in the Summary of Significant Accounting Policies, applied on a basis consistent with that of the preceding year.

In accordance with section 29 of the Ontario Land Corporation Act, a report on the audit has been made to the Corporation and to the Minister.

D.F. Archer

Toronto, Ontario,
July 8, 1986.

D.F. Archer, F.C.A.,
Provincial Auditor.

ONTARIO LOTTERY CORPORATION

Balance Sheet
as at March 31, 1986

ASSETS

	1986 ($000's)	1985 ($000's)
Current assets		
Cash	32,277	20,570
Prize funds	41,856	43,596
Due from Interprovincial Lottery Corporation	3,019	3,925
Accrued interest	800	455
Accounts receivable	8,260	3,225
Prepaid expenses	38	313
	86,250	72,084

LIABILITIES

Current liabilities		
Prize money unclaimed	41,856	43,596
Net profit/proceeds due to the Treasurer of Ontario (notes 3 and 4)	7,834	4,137
Accounts payable and accrued liabilities	19,950	16,667
Due to Government of Canada (note 5)	3,000	3,000
Deferred income (note 1(b))	13,610	4,684
	86,250	72,084

See accompanying notes to financial statements.

On behalf of the Board:

Director

Director

To the Board of Directors of the Ontario Lottery Corporation and
to the Minister of Tourism and Recreation.

I have examined the balance sheet of Ontario Lottery Corporation as at March 31, 1986 and the statements of operations and net profits/proceeds due to the Treasurer of Ontario for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances

In my opinion, these financial statements present fairly the financial position of the Corporation as at March 31, 1986 and the results of its operations for the year then ended in accordance with the accounting policy described in Note 1(a) to the financial statements, applied on a basis consistent with that of the preceding year.

A report on the audit has been made to the Corporation and to the Minister.

D. F. Archer, F.C.A.,
Provincial Auditor.

Toronto, Ontario,
August 1, 1986.

ONTARIO LOTTERY CORPORATION

Statement of Operations
for the year ended March 31, 1986

	1986 ($000's)	1985 ($000's)
Cash ticket sales	946,449	759,452
Free tickets	61,381	52,522
	1,007,830	811,974
Less commissions — retailers and distributors	75,399	60,612
	932,431	751,362
Prizes		
Lottario	98,389	105,053
Instant — cash	80,882	39,603
— free tickets	19,466	7,920
Wintario — cash	57,741	64,380
— free tickets	33,055	35,196
	289,533	252,152
Cost of tickets (note 2)		
Lotto 6/49	173,007	112,674
Provincial	22,217	22,897
Super Loto — cash	17,348	18,409
— free tickets	8,860	9,406
	221,432	163,386
Operating expenses		
Payment to Government of Canada (note 5)	25,666	15,918
Administration and other expenses	24,557	21,625
Equipment and building	24,517	22,070
Advertising	20,684	22,074
Ticket printing	11,755	10,046
	107,179	91,733
Operating income	314,287	244,091
Interest	6,410	5,486
Net profit/proceeds for the year	320,697	249,577

See accompanying notes to financial statements.

ONTARIO LOTTERY CORPORATION

Statement of Net Profits/Proceeds due to the Treasurer of Ontario for the year ended March 31, 1986

	1986 ($000's)	1985 ($000's)
Balance, beginning of year	4,137	4,560
Net profit/proceeds for the year		
Lotto 6/49	156,908	98,615
Lottario	59,128	66,900
Instant	58,087	26,819
Wintario	19,923	28,618
Provincial	14,636	15,745
Super Loto	12,015	12,880
	320,697	249,577
Less payments to the Treasurer of Ontario on account of net profits/proceeds:		
Lotto 6/49 (note 4)	155,000	98,000
Lottario (note 3)	59,000	67,000
Instant (notes 3)	57,000	26,000
Wintario (note 3)	20,000	29,000
Provincial (note 4)	14,000	16,000
Super Loto (note 4)	12,000	14,000
	317,000	250,000
Balance, end of year		
Lotto 6/49	2,732	824
Lottario	340	212
Instant	2,704	1,617
Wintario	1	78
Provincial	1,523	887
Super Loto	534	519
	7,834	4,137

See accompanying notes to financial statements.

Notes to Financial Statements March 31, 1986

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

The Corporation's financial statements are prepared in accordance with generally accepted accounting principles except for fixed assets which are written off to operations at the time of acquisition.

(b) Deferred income

Revenues received net of expenses incurred for draws held subsequent to March 31st are deferred.

2. PROVINCIAL, SUPER LOTO AND LOTTO 6/49

The Provincial, Super Loto and Lotto 6/49 lotteries are joint undertakings by all Provinces acting through the Interprovincial Lottery Corporation, a company whose shares are held by Her Majesty the Queen in right of Provinces. Ontario Lottery Corporation is the regional marketing organization for these games in Ontario. The Corporation purchases tickets for the three games from the Interprovincial Lottery Corporation and manages their sale throughout the Province.

The cost of tickets is composed of Ontario's proportional share of prizes based on the number of tickets sold, plus their proportional share of the operating expenses net of interest income of the Interprovincial Lottery Corporation.

ONTARIO LOTTERY CORPORATION

Notes to Financial Statements — Concluded
March 31, 1986

3. NET PROFITS — WINTARIO, LOTTARIO AND INSTANT

Pursuant to section 9 of the Ontario Lottery Corporation Act, the net profits of the Corporation are payable into the Consolidated Revenue Fund of the Province.

4. NET PROCEEDS — PROVINCIAL, SUPER LOTO AND LOTTO 6/49

Pursuant to Order in Council 226/83, the net proceeds of the Corporation from Interprovincial Lottery Corporation games are payable into the Consolidated Revenue Fund of the Province to be held in trust.

5. PAYMENTS TO GOVERNMENT OF CANADA

An agreement made in August 1979 between the Government of Canada and the Provinces stipulated that the Government of Canada would withdraw from the sale of lottery tickets effective December 31, 1979. Effective January 1, 1980 the agreement required the Provinces to remit quarterly to the Government of Canada the sum of $6 million, appropriately adjusted to reflect the effects of inflation. The Provinces agreed to share this cost based on a formula which took into account the population and disposable income. Ontario's share of the payment for the fiscal year ended March 31, 1986 amounted to $13.5 million.

On June 3, 1985, a second agreement made between the Government of Canada and the Provinces specified that the Government of Canada would refrain from reentering the field of gaming and betting. The agreement required the Provinces to remit to the Government of Canada $100 million to be paid in three equal installments on or before December 31, 1985, 1986 and 1987. The Provinces have agreed to share these payments based on the formula used for the first agreement. Ontario's share of this payment to the end of March 31, 1986 was $12.2 million.

6. COMMITMENTS

Operating Leases

The Corporation occupies office space at various locations under operating leases expiring over terms varying from one to nine years. The annual minimum rentals for the next nine years are as follows:

	($000's)
1986-87	577
1987-88	540
1988-89	540
1989-90	540
1990-91	682
1991-95	3,102

7. INCOME TAXES

As a Crown corporation of the Province of Ontario, the Corporation is exempt from income taxes and accordingly no provision is required.

8. SUBSEQUENT EVENT

On July 8, 1986, the government announced its intention to relocate the majority of the Corporation's operations to Sault Ste. Marie. The financial effect on this move cannot be reasonably estimated at this time.

THE ONTARIO MUNICIPAL IMPROVEMENT CORPORATION

Incorporated without share capital under the Ontario Municipal Improvement Corporation Act

Balance Sheet as at March 31, 1986

ASSETS	1986 $	1985 $
Cash	4,893	5,520
Accrued interest on investments	1,028,721	1,110,144
Long term investments, at cost (schedule and note 2)	31,745,446	31,674,480
	32,779,060	32,790,144
LIABILITIES		
Accrued interest on advances from the Treasurer of Ontario	1,028,721	1,110,144
Advances from the Treasurer of Ontario	31,750,339	31,680,000
	32,779,060	32,790,144

See accompanying schedule and notes to financial statements.

Approved on behalf of the Corporation:

Chairman

Member

To The Ontario Municipal Improvement Corporation
and to the Treasurer of Ontario.

I have examined the balance sheet of The Ontario Municipal Improvement Corporation as at March 31, 1986 and the statement of revenue and expenditure for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Corporation as at March 31, 1986 and the results of its operations for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

A report on the audit has been made to the Corporation and, in accordance with section 12 of the Ontario Municipal Improvement Corporation Act, to the Treasurer of Ontario.

Toronto, Ontario,
May 21, 1986.

D.F. Archer, F.C.A.,
Provincial Auditor.

THE ONTARIO MUNICIPAL IMPROVEMENT CORPORATION

Statement of Revenue and Expenditure
for the year ended March 31, 1986

	1986 $	1985 $
REVENUE		
Interest on investments	3,607,363	3,820,288
EXPENDITURE		
Interest on advances from the Treasurer of Ontario (note 1)	3,607,363	3,820,288

See accompanying schedule and notes to financial statements.

Long Term Investments in Municipal and School Board Debentures
as at March 31, 1986

SCHEDULE

Analysis by Rate of Interest

Interest Rate %	Principal 1986 $	Principal 1985 $
Under 7.00	55,203	83,543
7.00- 8.99	4,882,400	5,917,250
9.00-10.99	11,027,964	12,291,187
11.00-12.99	5,083,684	4,988,600
13.00-19.25	10,696,195	8,393,900
	31,745,446	31,674,480

Analysis by Years of Maturity

Years of Maturity March 31	Principal 1986 $	Principal 1985 $
1986	—	3,252,566
1987	3,153,271	3,063,314
1988	2,966,459	2,903,000
1989	2,674,139	2,602,200
1990	2,458,356	2,376,700
1991	2,472,567	—
1- 5 years	13,724,792	14,197,780
6-10 years	11,225,737	10,828,700
11-15 years	5,124,323	6,095,000
16-20 years	1,205,758	547,000
21-25 years	327,818	6,000
26-30 years	137,018	—
	31,745,446	31,674,480

Notes to Financial Statements
March 31, 1986

1. INTEREST ON ADVANCES

Pursuant to Order in Council 775/77, interest payable by the Corporation on advances from the Treasurer of Ontario is an amount equal to the excess of revenue over other expenditure for the fiscal year.

2. LONG TERM INVESTMENTS

Pursuant to Order in Council 1143/86, loans totalling $3,316,582 were transferred to the Corporation from the Ministry of the Environment effective January 1, 1986.

3. ADMINISTRATION EXPENSE

The cost of administration has been paid by the Province of Ontario.

ONTARIO NORTHLAND

Consolidated as at

Assets

	1985 $	1984 $
Current Assets		
Cash and short term investments	1,993,753	4,681,754
Accounts receivable	15,812,081	13,148,265
Materials and supplies	5,532,673	4,328,384
Prepaid expenses	175,163	234,358
	23,513,670	22,392,761
Long Term Investments — at cost		
Government Bonds (market value $22,596,000; 1984 — $27,030,000)	19,767,627	25,883,120
Other Assets — at cost		
Self insurance fund (note 2) (market value $1,718,000; 1984 — $1,362,000)	1,538,448	1,273,996
Bus franchises	297,679	297,679
Investment in Telesat Canada	150,000	150,000
	1,986,127	1,721,675
Investment in Property — at cost less accumulated depreciation (schedule 1)	169,729,826	156,327,129
	214,997,250	206,324,685

See accompanying schedules and notes to consolidated financial statements.

Approved on behalf of the Commission:

Commissioner

General Manager

TRANSPORTATION COMMISSION

Balance Sheet
December 31, 1985

Liabilities and Equity

	1985 $	1984 $
Current Liabilities		
Accounts payable and accrued charges	15,657,700	18,575,793
Deferred Revenue (note 5)	1,602,856	—
Provision for Self Insurance (note 2)	1,538,448	1,273,996
Long Term Debt		
Note due Province of Ontario	—	13,000,000
Loan from Province of Ontario non-interest bearing	35,207,935	35,207,935
	35,207,935	48,207,935
Province of Ontario Equity		
Contributed surplus	24,752,416	20,328,060
Retained income	136,237,895	117,938,901
	160,990,311	138,266,961
	214,997,250	206,324,685

To the Ontario Northland Transportation Commission and
to the Minister of Northern Development and Mines.

I have examined the consolidated balance sheet of the Ontario Northland Transportation Commission as at December 31, 1985 and the consolidated statements of income, retained income, contributed surplus and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these consolidated financial statements present fairly the financial position of the Commission as at December 31, 1985 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

A report on the audit, completed in accordance with section 39 of the Ontario Northland Transportation Commission Act, has been made to the Commission and to the Minister of Northern Development and Mines.

Toronto, Ontario,
April 18, 1986.

D. F. Archer, F.C.A.
Provincial Auditor.

ONTARIO NORTHLAND TRANSPORTATION COMMISSION

Consolidated Statement of Income
for the year ended December 31, 1985

	1985 $	1984 $
Operating Revenues		
Commercial (schedule 3)	92,134,773	91,438,854
Non-Commercial (schedule 4)	14,026,231	13,791,286
Total operating revenues	106,161,004	105,230,140
Operating Expenditures		
Commercial (schedule 3)	76,034,589	73,379,254
Non-Commercial (schedule 4)	35,984,275	34,144,512
Total operating expenditures	112,018,864	107,523,766
Loss from operations before the following	5,857,860	2,293,626
Investment Income		
Interest expense	(901,818)	(2,073,555)
Interest earned	3,778,721	4,077,447
Gain on sale of bonds	415,024	—
Net investment income	3,291,927	2,003,892
Special payment to pension fund (note 3)	3,001,118	3,837,000
Net loss before Government reimbursement	5,567,051	4,126,734
Government reimbursement (schedule 2 and note 4)	23,866,045	21,576,020
Net income for the year	18,298,994	17,449,286

Consolidated Statement of Retained Income
for the year ended December 31, 1985

	1985 $	1984 $
Balance, beginning of year	117,938,901	100,489,615
Add net income for the year	18,298,994	17,449,286
Balance, end of year	136,237,895	117,938,901

Consolidated Statement of Contributed Surplus
for the year ended December 31, 1985

	1985 $	1984 $
Balance, beginning of year	20,328,060	13,534,751
Add: — norOntair aircraft and associated equipment	6,140,715	8,024,206
— Capital expenditures of The Owen Sound Transportation Company, Limited	79,051	91,299
	26,547,826	21,650,256
Less: depreciation charges for the year	1,795,410	1,322,196
Balance, end of year	24,752,416	20,328,060

See accompanying schedules and notes to consolidated financial statements.

ONTARIO NORTHLAND TRANSPORTATION COMMISSION

Consolidated Statement of Changes in Financial Position for the year ended December 31, 1985

	1985 $	1984 $
Operating Activities		
Cash provided from (used in) operations (see below)	(4,459,297)	4,206,180
Government reimbursement	23,866,045	21,576,020
	19,406,748	25,782,200
Financing Activities		
Capital reimbursement from the Province	6,219,766	8,115,505
Repayment of long term debt	(13,000,000)	(9,500,000)
	(6,780,234)	(1,384,495)
Investing Activities		
Net investment in fixed assets	(22,527,899)	(19,999,594)
Purchase of bonds	(6,999,688)	(9,443,663)
Proceeds from sale of bonds	13,720,900	2,000,000
Proceeds from sale of fixed assets	492,172	792,668
	(15,314,515)	(26,650,589)
Decrease in cash and short term investments during the year	(2,688,001)	(2,252,884)
Cash and short term investments, beginning of year	4,681,754	6,934,638
Cash and short term investments, end of year	1,993,753	4,681,754
Cash provided from (used in) operations is derived as follows:		
Net loss before Government reimbursement	(5,567,051)	(4,126,734)
Add (deduct):		
Depreciation	6,929,209	6,710,144
Amortization and gain on sale of bonds	(605,719)	(175,592)
Gain on return of leased trailers	(91,589)	—
Decrease (increase) in accounts receivable	(2,663,816)	1,151,431
Increase in material, supplies and prepaids	(1,145,094)	(504,352)
Increase (decrease) in accounts payable	(2,918,093)	1,151,283
Increase in deferred revenue	1,602,856	—
Cash provided from (used in) operations	(4,459,297)	4,206,180

See accompanying schedules and notes to consolidated financial statements.

ONTARIO NORTHLAND TRANSPORTATION COMMISSION

SCHEDULE 1

Schedule of Investment in Property as at December 31, 1985

	1985	1984
	$	$
Rail — Roadway	102,227,019	97,044,988
— Buildings	13,914,751	13,084,202
— Equipment	40,858,795	41,976,741
Telecommunications	52,885,634	52,418,192
Buses	2,315,162	2,233,890
Boats	927,413	927,413
norOntair — aircraft	15,525,610	12,652,727
— other	1,967,198	1,090,858
Remote North power and communications	278,298	259,517
Star Transfer Limited — vehicles	2,516,418	3,034,171
— other	882,678	861,127
The Owen Sound Transporation Company, Limited — vessel	9,665,356	9,665,356
— other	395,158	320,291
Gross investment in property	244,359,490	235,569,473
Less accumulated depreciation	85,529,696	83,187,015
Net investment in property	158,829,794	152,382,458
Under construction	10,900,032	3,944,671
	169,729,826	156,327,129

SCHEDULE 2

Schedule of Provincial Government Reimbursement for the year ended December 31, 1985

	1985	1984
	$	$
From Province of Ontario		
Cochrane-Moosonee branch line	7,784,932	7,737,786
Main line passenger train	5,697,229	5,678,724
Northlander	5,197,878	4,481,291
Remote North power and communications	89,406	249,721
Air services — norOntair	4,546,971	3,110,258
Moosonee ferry	91,656	50,726
	23,408,072	21,308,506
The Owen Sound Transportation Company, Limited	457,973	267,514
Total Provincial Government reimbursement (note 4)	23,866,045	21,576,020

See accompanying schedules and notes to consolidated financial statements.

ONTARIO NORTHLAND TRANSPORTATION COMMISSION

SCHEDULE 3

Schedule of Commercial Operations for the year ended December 31, 1985

	1985 $	1984 $
Rail Freight Services		
Revenue	46,988,449	47,426,816
Expenditures	40,627,108	38,527,952
Income from operations	6,361,341	8,898,864
Express Services		
Revenue	1,203,772	1,197,356
Expenditures	1,399,147	1,390,385
Loss from operations	(195,375)	(193,029)
Telecommunications		
Revenue (note 6)	36,105,548	33,369,197
Expenditures	24,248,686	22,948,708
Income from operations	11,916,862	10,420,489
Bus Services		
Revenue	3,849,863	3,867,906
Expenditures	4,256,401	4,090,274
Loss from operations	(406,538)	(222,368)
Transport Services		
Revenue	3,391,239	5,226,205
Expenditures	4,704,335	5,921,176
Loss from operations	(1,313,096)	(694,971)
Marine Services (North Bay)		
Revenue	278,673	221,495
Expenditures	421,684	388,774
Loss from operations	(143,011)	(167,279)
Tourist Facilities (Hannah Bay)		
Revenue	151,870	129,879
Expenditures	122,208	111,985
Income from operations	29,662	17,894
Remote North Communications		
Revenue	105,359	—
Expenditures	255,020	—
Loss from operations	(149,661)	—
Total Commercial Operations		
Operating revenues	92,134,773	91,438,854
Operating expenditures	76,034,589	73,379,254
Income from operations	16,100,184	18,059,600

See accompanying schedules and notes to consolidated financial statements.

ONTARIO NORTHLAND TRANSPORTATION COMMISSION

SCHEDULE 4

Schedule of Non-commercial Operations for the year ended December 31, 1985

	1985 $	1984 $
Rail Passenger Services		
Revenue	5,295,569	5,424,137
Expenditures	22,067,607	22,099,144
Loss from operations	(16,772,038)	(16,675,007)
Government reimbursement	18,680,039	17,897,801
Net gain from operations	1,908,001	1,222,794
Air Services (norOntair)		
Revenue	4,854,093	4,344,991
Expenditures	9,401,064	7,455,249
Loss from operations	(4,546,971)	(3,110,258)
Government reimbursement	4,546,971	3,110,258
	—	—
Marine Services (Owen Sound)		
Revenue	3,684,472	3,611,665
Expenditures	4,142,445	3,879,179
Income from operations	(457,973)	(267,514)
Government reimbursement	457,973	267,514
	—	—
Marine Services (Moosonee)		
Revenue	68,157	61,111
Expenditures	159,813	111,837
Loss from operations	(91,656)	(50,726)
Government reimbursement	91,656	50,726
	—	—
Remote North Communications		
Revenue	34,280	139,463
Expenditures	83,789	348,136
Loss from operations	(49,509)	(208,673)
Government reimbursement	49,509	208,673
	—	—
Remote North Power		
Revenue	89,660	209,919
Expenditures	129,557	250,967
Loss from operations	(39,897)	(41,048)
Government reimbursement	39,897	41,048
	—	—

ONTARIO NORTHLAND TRANSPORTATION COMMISSION

Schedule of Non-Commercial Operations — Concluded for the year ended December 31, 1985

	1985 $	1984 $
Total Non-Commercial Operations		
Operating revenues	14,026,231	13,791,286
Operating expenditures	35,984,275	34,144,512
Loss from operations	(21,958,044)	(20,353,226)
Government reimbursement	23,866,045	21,576,020
Net gain from operations	1,908,001	1,222,794

See accompanying schedules and notes to consolidated financial statements.

Notes to Consolidated Financial Statements December 31, 1985

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

These consolidated financial statements are prepared in accordance with generally accepted accounting principles. They include the accounts of the Commission and its wholly owned subsidiaries, Star Transfer Limited and The Owen Sound Transportation Company, Limited.

(b) Materials and supplies

With the exception of used rail, all materials and supplies are shown at cost. Used rail is shown at estimated utility value.

(c) Investment in property and depreciation

Fixed assets are stated at acquisition cost.

Depreciation is calculated on a straight-line basis over the estimated service lives of the assets with the exception of vehicles which are depreciated at thirty per cent per annum on the diminishing balance basis. Depreciation generally is based on asset balances at the beginning of the year.

The rates used for railway properties are as authorized by the Canadian Transport Commission.

The estimated service lives used for principal categories of assets are as follows:

Road — main line and branches	20 to 200 years
Railway diesel locomotives	25 years
Railway cars	33 years
Vessel	33 years
Telecommunications equipment	15 years
Aircraft	10 years
Boats	20 years

The Province of Ontario reimburses the Commission for the costs of certain fixed assets purchased for use in operations designated as non-commercial by the Province. The Commission records these assets at their original cost together with an offsetting credit to Contributed Surplus. Annual depreciation on these fixed assets is recorded as a reduction to Contributed Surplus.

(d) Income taxes

As Crown Corporations of the Province of Ontario, the Commission and its wholly-owned subsidiaries are exempt from income taxes and accordingly no tax provision is reflected in operations.

2. SELF-INSURANCE

The Commission follows the policy of self-insuring for damages from rolling stock derailments and cargo damage. Annual contributions to the self-insurance fund consist of a $100,000 premium paid by the Commission in addition to investment income earned on fund assets.

ONTARIO NORTHLAND TRANSPORTATION COMMISSION

Notes to Consolidated Financial Statements — Concluded
December 31, 1985

3. CONTRIBUTORY PENSION FUND

Based on the latest actuarial valuation dated December 31, 1984, the Commission's Contributory Pension Fund had an unfunded liability of $16,937,364. This amount was comprised of the following:

Initial unfunded liability as of January 1, 1965	$19,443,107
Actuarial surplus identified as at December 31, 1984	2,505,743
	$16,937,364

The Commission will continue to make annual interest payments into the Fund in order to prevent an increase in the unfunded liability. In 1985 this payment amounted to $1,185,615 (1984 — $1,361,017).

In addition, in 1985 the Commission made an extra payment of $3,001,118 into the Pension Fund.

4. PROVINCIAL GOVERNMENT REIMBURSEMENTS

In accordance with the Memorandum of Understanding between the Commission and the Ministry of Northern Development and Mines, certain operations of the Commission and its subsidiaries have been designated as non-commercial and receive annual operating subsidies, the details of which appear on Schedule 2.

The subsidy amount for the non-commercial rail operations, which consist of the Cochrane-Moosonee branch line and main line passenger train services, allows the Commission to earn an annual rate of return, equal to the lesser of 9.325 per cent and the actual rate of return earned on the total of the Commission's commercial operations for the same year. For all other non-commercial operations shown on Schedule 2, the subsidies equal the operating losses for the year.

5. DEFERRED REVENUE

During the year, the Commission received $1,740,000 as full settlement for revenue lost through the rerouting of certain long distance telephone traffic. This amount is being amortized to income over the eight remaining years of the original agreement.

6. TELECOMMUNICATIONS REVENUE AGREEMENTS

Telecommunications operations provide approximately 39 per cent (1984 — 36 per cent) of commercial revenues and 74 per cent (1984 — 58 per cent) of net income earned on all of the Commission's commercial operations. Approximately 77 per cent (1984 — 85 per cent) of telecommunications revenues depend on revenue-sharing agreements with Bell Canada Enterprises Inc., and one of its subsidiaries. These agreements may be terminated by either party after giving 180 days prior notice.

7. COMPARATIVE FIGURES

Prior year's figures have been reclassified where necessary to conform to the current year's presentation.

ONTARIO PLACE CORPORATION

Balance Sheet
as at March 31, 1986

ASSETS

	1986 $	1985 $
Current assets		
Cash and short term deposits	1,764,630	4,567,151
Accounts receivable	202,956	112,500
Due from BILD (note 3)	4,772	64,514
Inventory	231,541	265,038
Prepaid expenses	22,224	8,454
	2,226,123	5,017,657
Fixed Assets (note 2)	1	1
	2,226,124	5,017,658

LIABILITIES AND RETAINED INCOME

Current liabilities		
Accounts payable and accrued liabilities	924,746	2,759,598
Holdbacks payable	35,692	559,489
Accrued realty taxes	287,236	242,045
Deferred income (note 7)	43,057	50,766
	1,290,731	3,611,898
Retained income	935,393	1,405,760
	2,226,124	5,017,658

See accompanying notes to financial statements.

On behalf of the Corporation:

Director

Director

To the Ontario Place Corporation and
to the Minister of Tourism and Recreation.

I have examined the balance sheet of Ontario Place Corporation as at March 31, 1986 and the statement of operations and retained income for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Corporation as at March 31, 1986 and the results of its operations for the year then ended in accordance with the basis of accounting described in note 1(a) to the financial statements applied on a basis consistent with that of the preceding year.

In accordance with section 13 of the Ontario Place Corporation Act, a report on the audit will be made to the Corporation and to the Minister of Tourism and Recreation.

Toronto, Ontario,
August 5, 1986.

D. F. Archer, F.C.A.,
Provincial Auditor.

ONTARIO PLACE CORPORATION

Statement of Operations and Retained Income for the year ended March 31, 1986

	1986 $	1985 $
Operating Income		
Fees — admissions	5,185,240	4,707,469
— parking	1,357,364	1,203,287
— revenue attractions	1,462,631	869,109
Concessions (note 5)	1,089,740	965,467
Gross profit (note 6)		
— food services	835,831	556,409
— Winter Program	582,270	204,429
— boutiques	326,367	247,751
Corporate sponsorship	448,695	429,500
Marina	357,987	349,851
Interest income	192,868	275,305
Film rentals and videotaping fees	53,858	56,376
Other	91,260	117,191
	11,984,111	9,982,144
Administrative and operating expenditures		
Salaries, wages and employee benefits	5,851,149	5,021,332
Programming and entertainment	2,529,688	2,247,615
Advertising	1,470,108	1,156,041
Site maintenance and miscellaneous services	1,392,662	1,133,013
Realty taxes	975,016	856,682
General and office	750,093	514,703
Supplies	648,444	562,272
Utilities	610,539	480,882
Security services	266,888	261,026
Films and photography	15,687	26,463
Directors' fees	10,990	10,505
	14,521,264	12,270,534
Net operating loss before grant	2,537,153	2,288,390
Province of Ontario operating grant	2,872,000	2,872,000
Net operating income	334,847	583,610
Province of Ontario capital grant	5,319,000	7,519,000
Less capital expenditures	6,124,214	7,508,867
	(805,214)	10,133
Net income (loss)	(470,367)	593,743
Retained income, beginning of year	1,405,760	812,017
Retained income, end of year	935,393	1,405,760

See accompanying notes to financial statements.

ONTARIO PLACE CORPORATION

Notes to Financial Statements
March 31, 1985

1. SIGNIFICANT ACCOUNTING POLICIES

(a) These financial statements have been prepared in accordance with generally accepted accounting principles except that the Corporation charges all additions to fixed assets to expenditures in the year of acquisition and credits all capital grants to income in the year received. Fixed assets are reflected on the balance sheet at a nominal value and Retained Income..

Furthermore, all grants received and expenditures incurred for the BILD funded projects (note 3) and other non Ministry of Tourism and Recreation funded special projects (note 4) are not included in the Statement of Operations.

(b) Inventory is valued on a first in first out basis at the lower of cost or net realizable value.

2. FIXED ASSETS

The original capital cost of facilities provided by the Province of Ontario, less disposals to March 31, 1986, amounted to approximately $28.9 million.

The total accumulated costs of fixed assets acquired since the original facilities were provided, less disposals, are as follows:

	1985	1986		
	Total	Additions	Disposals	Total
	$	$	$	$
Improvements to land	5,107,289	296,183	—	5,403,472
Buildings	12,773,036	2,792,318	(32,666)	15,532,688
Furniture and equipment ..	5,812,975	3,053,925	(33,230)	8,833,670
IMAX films	1,592,493	—	—	1,592,493
	25,285,793	6,142,426	(65,896)	31,362,323

During the year the Corporation completed Phase I of a major five year capital improvements project. Phase I included the addition of a flume ride called the "Wilderness Adventure Ride" and major improvements to the west village and west entrance.

3. DUE FROM BILD

Since 1981 the Board of Industrial Leadership and Development (BILD) has allocated a total of $2,250,000 (1986 — $250,000) to provide capital and operating funds for "Future Pod", a high technology display at Ontario Place.

As at March 31, 1986 the Corporation had spend a total of $2,132,444 (1986 — $154,705) of which $1,419,961 (1986 — $143,010) was for operating costs and $712,483 (1986 — $11,695) was for capital expenditures which is included in fixed assets. At March 31, 1986, the Corporation had received a total of $2,127,672 (1986 — $214,447) from BILD.

This display has been discontinued.

4. ONTARIO LOTTERY CORPORATION — SIGNAGE

During the 1985 fiscal year $116,789 was provided from the Ontario Lottery Corporation for the acquisition and installation of a programmable message sign.

As at March 31, 1986, the Corporation had spend $116,789 (1985 — $110,272) which is included in fixed assets.

ONTARIO PLACE CORPORATION

Notes to Financial Statements — Concluded
March 31, 1985

5. CONCESSIONS

Concession revenue includes rents from concessionaires and the net operating profit of the Trillium Restaurant which is operated under a management agreement.

6. GROSS PROFIT — FOOD SERVICES, WINTER PROGRAM AND BOUTIQUES

The operations are summarized as follows:

	Food Services		Winter Program		Boutiques	
	1986	1985	1986	1985	1986	1985
	$	$	$	$	$	$
Sales	1,267,542	857,962	963,408	380,187	758,438	634,196
Cost of Sales*	431,711	301,553	381,138	175,758	432,071	386,445
Gross Profit	835,831	556,409	582,270	204,429	326,367	247,751

*Winter Program cost of sales include film rentals, snack bar and boutique merchandise. All other costs of sales are for merchandise only.

7. DEFERRED INCOME

Deferred income results primarily from the prepayment of IMAX film rental fees and Marina slip rentals.

8. COMPARATIVE FIGURES

Comparative figures have been reclassified where necessary to conform with 1986 presentation.

THE ONTARIO UNIVERSITIES CAPITAL AID CORPORATION

(Incorporated without share capital under the Ontario Universities Capital Aid Corporation Act)

Balance Sheet
as at December 20, 1985
(Note 4)

ASSETS

	December 20, 1985 $	March 31, 1985 $
Accrued interest on investments	35,888,941	32,131,330
Long term investments, at cost (note 3)	986,033,751	1,011,766,034
	1,021,922,692	1,043,897,364

LIABILITIES

Accrued interest on advances	35,888,941	32,131,330
Advances from the Treasurer of Ontario	986,033,751	1,011,766,034
	1,021,922,692	1,043,897,364

See accompanying notes to financial statements.

Approved on behalf of the Corporation:

Chairman

Member

To The Ontario Universities Capital Aid Corporation
and to the Treasurer of Ontario.

I have examined the balance sheet of The Ontario Universities Capital Aid Corporation as at December 20, 1985 and the statement of revenue and expenditure for the period then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Corporation as at December 20, 1985 and the results of its operations for the period then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

A report on the audit has been made to the Corporation and, in accordance with section 13 of the Ontario Universities Capital Aid Act, to the Treasurer of Ontario.

Toronto, Ontario,
May 21, 1986

D.F. Archer, F.C.A.,
Provincial Auditor.

THE ONTARIO UNIVERSITIES CAPITAL AID CORPORATION

Statement of Revenue and Expenditure for the period ended December 20, 1985

	Period Ended December 20, 1985 $	Year Ended March 31, 1985 $
REVENUE		
Interest on investments	52,938,517	75,461,984
EXPENDITURE		
Interest on advances from the Treasurer of Ontario (note 1)	52,938,517	75,461,984

See accompanying notes to financial statements.

Notes to Financial Statements December 20, 1985

1. INTEREST ON ADVANCES

Pursuant to Order in Council 947/76, interest payable by the Corporation on advances from the Treasurer of Ontario is an amount equal to the net interest revenue for the fiscal year.

2. ADMINISTRATION EXPENSE

The cost of administration has been paid by the Province of Ontario.

3. LONG TERM INVESTMENTS

The Corporation has not purchased any new debentures since April 1, 1978.

4. DISSOLUTION OF THE CORPORATION

Pursuant to the Capital Aid Corporations Repeal Act, 1985, the Corporation was dissolved as of December 20, 1985 and the assets and liabilities of the Corporation were vested in the Treasurer of Ontario.

ONTARIO WASTE MANAGEMENT CORPORATION
(Incorporated without share capital under the Ontario Waste Management Corporation Act, 1981)

Statement of Financial Position
as at March 31, 1986

ASSETS

	1986 ($'000)	1985 ($'000)
Current		
Cash	168	249
Due from Province of Ontario	360	1,289
Sundry receivables	51	36
Prepaid expenses	19	13
	598	1,587
Fixed (note 2)	344	356
	942	1,943

LIABILITIES AND DEFICIT

Current		
Accounts payable and accrued liabilities	2,451	2,074
Deficit	1,509	131
	942	1,943

See accompanying notes to financial statements.

On behalf of the Board:

Chairman

Vice-Chairman

ONTARIO WASTE MANAGEMENT CORPORATION

Statement of Operations and Deficit
for the year ended March 31, 1986

	1986 ($'000)	1985 ($'000)
Revenue		
Grants from Province of Ontario	12,400	14,849
Interest and other	55	28
	12,455	14,877
Expenditure		
Salaries and benefits	2,711	2,358
Site assessment	4,735	6,031
Facilities design	3,300	4,223
Occupancy	607	530
Office and general	542	549
Waste reduction and market assessment	497	666
Hearings preparation	512	270
Publications	292	330
Management consultants	170	61
Technical report reviews	199	—
Technical communication services	141	109
Depreciation	105	95
Directors' fees and expenses	22	53
	13,833	15,275
Excess of expenditure over revenue	1,378	398
Deficit (Equity), beginning of year	131	(267)
Deficit, end of year	1,509	131

Statement of Changes in Financial Position
for the year ended March 31, 1986

	1986 ($'000)	1985 ($'000)
Cash provided by (used in) operating activities		
Excess of expenditure over revenue	(1,378)	(398)
Less charge to operations not requiring a current cash payment — Depreciation	105	95
	(1,273)	(303)
Net change in non-cash working capital balances related to operations	1,285	518
Cash provided by operations	12	215
Cash provided by (used in) investing activities		
Additions to fixed assets	(93)	(100)
Net increase (decrease) in cash during the year	(81)	115
Cash, beginning of year	249	134
Cash, end of year	168	249

See accompanying notes to financial statements.

ONTARIO WASTE MANAGEMENT CORPORATION

Notes to Financial Statements
March 31, 1986

1. SUMMARY OF ACCOUNTING POLICIES

i. Grants from Province of Ontario
Grants are recognized as revenue in the period in which they are committed by the Province.

ii. Fixed Assets
Depreciation for furniture and equipment is computed on the declining balance basis at rates designed to amortize the cost of these assets over their estimated useful lives. Leasehold improvements are amortized on a straight-line basis.

2. FIXED ASSETS

	1986			1985	
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value	Depreciation Rate
	($'000)	($'000)	($'000)	($'000)	
Furniture	218	100	118	131	20%
Equipment	296	140	156	163	20-30%
Leasehold improvements	153	83	70	62	5 years
	667	323	344	356	

3. COMMITMENTS

The Corporation is committed under operating leases on leased premises with future minimum rental payments due as follows:

	($'000)
1987	531
1988	311

4. COMPARATIVE FIGURES

Comparative figures have been reclassified where necessary to conform with 1986 presentation.

To the Ontario Waste Management Corporation
and to the Minister of the Environment.

I have examined the statement of financial position of the Ontario Waste Management Corporation as at March 31, 1986 and the statements of operations and deficit and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Corporation as at March 31, 1986 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

In accordance with section 19 of the Ontario Waste Management Corporation Act, 1981, a report on the audit will be made to the Corporation and to the Minister of the Environment.

Toronto, Ontario,
May 30, 1986.

D.F. Archer

D.F. Archer, F.C.A.,
Provincial Auditor.

THE PUBLIC TRUSTEE OF THE PROVINCE OF ONTARIO

Balance Sheet
as at March 31, 1986

ASSETS

	1986 ($000's)	1985 ($000's)
ESTATES AND TRUSTS		
Cash in bank	162	212
Bonds	149,334	126,969
Funds invested (schedule A)	112,677	111,215
Real estate	26,141	30,606
Stocks	10,783	8,206
Mortgages receivable	4,258	2,114
Life insurance	2,074	2,021
Miscellaneous	4,255	4,205
	309,684	285,548
Deduct mortgages payable	795	828
	308,889	284,720
ADMINISTRATION FUND ACCOUNT (note 3)		
Cash in bank	36	110
Funds invested (schedule A)	31,767	24,292
	31,803	24,402
	340,692	309,122

LIABILITIES

ESTATES AND TRUSTS		
Patients' estates	230,354	209,880
Crown estates	27,044	26,415
Special trusts and charities	18,512	17,485
Probable escheats (note 4)	11,037	9,914
Deceased persons' estates	7,283	6,856
Cemetery trusts	6,306	5,964
Corporate estates	6,271	6,309
Crown companies	1,040	915
Unclaimed balances	852	782
Indian trusts	134	145
Child welfare trusts	56	55
	308,889	284,720
ADMINISTRATION FUND ACCOUNT (note 3)		
Current liabilities	84	458
Assurance Fund (note 5)	200	200
Surplus	31,519	23,744
	31,803	24,402
	340,692	309,122

See accompanying schedules and notes to financial statements.

On behalf of the Public Trustee:

Public Trustee

Deputy Public Trustee

THE PUBLIC TRUSTEE OF THE PROVINCE OF ONTARIO

Statement of Revenue and Expenditure
Year ended March 31, 1986

	1986 ($000's)	1985 ($000's)
Revenue		
Fees collected		
Patients' estates	5,294	4,671
Crown estates	761	935
Special trusts	251	266
Probable escheats	181	117
Deceased persons' estates	174	144
Charities	55	67
Cemetery trusts	35	36
Crown companies	34	15
Corporate estates	17	29
	6,802	6,280
Bank interest	14	8
Income from funds invested, net (schedule B)	6,651	6,141
	13,467	12,429
Expenditure		
Salaries and wages	4,073	3,889
Employee benefits	589	520
Services	747	770
Supplies and equipment	144	181
Transportation and communication	139	141
	5,692	5,501
EXCESS OF REVENUE OVER EXPENDITURE	7,775	6,928

Statement of Surplus
Year ended March 31, 1986

	1986 ($000's)	1985 ($000's)
BALANCE, BEGINNING OF YEAR	23,744	16,922
Excess of revenue over expenditure	7,775	6,928
	31,519	23,850
Transfer to the Assurance Fund	—	106
BALANCE, END OF YEAR	31,519	23,744

See accompanying schedules and notes to financial statements.

THE PUBLIC TRUSTEE OF THE PROVINCE OF ONTARIO

Details of Funds Invested as at March 31, 1986

SCHEDULE A

	1986 ($000's)	1985 ($000's)
Short term investments	60,501	57,614
Bonds (schedule C)	80,335	75,240
Accrued interest	3,470	2,496
Cash in bank	138	157
	144,444	135,507
Allocated as follows:		
Estates and Trusts	112,677	111,215
Administration Fund account (note 3)	31,767	24,292
	144,444	135,507

Income from Funds Invested as at March 31, 1986

SCHEDULE B

	1986 ($000's)	1985 ($000's)
Interest earned on investments	13,267	12,356
Interest earned on bank accounts	330	217
	13,597	12,573
Deduct interest allowed	6,946	6,432
Income from funds invested, net	6,651	6,141

Details of Bonds as at March 31, 1986

SCHEDULE C

	1986 ($000's)	1985 ($000's)
Ontario Hydro	75,255	75,240
Government of Canada	5,080	—
Amortized cost	80,335	75,240
Par value	80,687	75,687
Market value	79,686	62,317

See accompanying notes to financial statements.

THE PUBLIC TRUSTEE OF THE PROVINCE OF ONTARIO

Notes to Financial Statements
Year ended March 31, 1986

1. GENERAL

The Public Trustee performs duties under a number of statutes, with the following main responsibilities:

- the management of estates of mentally incompetent individuals;
- the administration of estates of persons who die in Ontario intestate and without next-of-kin;
- the gathering of assets on behalf of the Crown under the Escheats Act when there is no known owner of those assets or the owner is a corporation no longer in existence; and
- a general supervisory role over charities.

2. SUMMARY OF ACCOUNTING POLICIES

(a) Basis of accounting

Fees collected and bank interest are recorded on a cash basis of accounting which, for expenditure, is modified to allow an additional thirty days to pay for debts incurred during the fiscal year just ended. Net income from funds invested is recorded on an accrual basis.

(b) Funds invested

Funds are invested in income producing short term investments or bonds which are normally held until maturity. These securities are recorded at cost adjusted for the amortization of premiums or discounts on purchase over the period to maturity.

(c) Stocks and bonds of Estates and Trusts

Stocks and bonds for all Estates and Trusts, except Cemetery Trusts, are recorded at the value of the stocks and bonds at the time of taking over of the Estates and Trusts with an annual adjustment to market value at December 31 each year. The bonds of Cemetery Trusts are valued at par.

(d) Real estate

Real estate is recorded at appraised value at time of incorporation of the trust and is subject to periodic revaluations.

(e) Life insurance

Life insurance is recorded at its cash surrender value at the time of incorporating the trust and is subject to valuation every two years.

(f) Fixed assets

Fixed assets are recorded as expenditures when purchased.

3. ADMINISTRATION FUND ACCOUNT

The Administration Fund is the operating account of the Public Trustee. It is used to accumulate fees charged each estate for services, as prescribed by the regulations under the Public Trustee Act.

Cash balances in the Administration Fund which are not required for operating purposes are invested along with the cash funds of Estates and Trusts. The Administration Fund receives the net interest income of these investment activities, after interest is allowed on the funds of Estates and Trusts in accordance with regulations under the Act.

All operating expenses of the office of the Public Trustee are paid from the Administration Fund.

The Lieutenant Governor in Council may from time to time direct the payment into the Province's Consolidated Revenue Fund of any balance at the credit of the Administration Fund.

4. FUNDS ESCHEATED TO THE CROWN

The Public trustee is authorized by the Escheats Act to take possession of unclaimed property reverting to the Crown under the Sussession Law Reform Act, Business Corporations Act or common law. After a period of ten years, any property so received by the Public Trustee which remains unclaimed, is transferred to the Consolidated Revenue Fund of the Province.

During 1985-86, $1,409,316 (1984-85 $870,519) was transferred to the Province.

5. ASSURANCE FUND

The regulations under the Act provide that an Assurance Fund shall be established to meet losses for which the Office of the Public Trustee might become liable. Accordingly, this fund has been established at $200,000 by transfers from the Administration Fund.

THE PUBLIC TRUSTEE OF THE PROVINCE OF ONTARIO

Year ended March 31, 1986

To the Public Trustee of the Province of Ontario and
to the Attorney General.

I have examined the balance sheet of the Public Trustee of the Province of Ontario as at March 31, 1986 and the statements of revenue and expenditure and surplus for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Public Trustee of the Province of Ontario as at March 31, 1986 and the results of operations for the year then ended in accordance with the accounting policies described in note 2 to the financial statements applied on a basis consistent with that of the preceding year.

A report on the audit will be made to the Public Trustee and to the Attorney General.

Toronto, Ontario,
July 25, 1986.

J.F. Otterman, F.C.A.,
Assistant Provincial Auditor.

STADIUM CORPORATION OF ONTARIO LIMITED

(Incorporated under the laws of Ontario)

Balance Sheet
December 31, 1985

ASSETS	
Cash	$30,813,003
Interest receivable	18,379
Fixed assets (note 3)	123,045
Preconstruction costs (note 4)	1,029,497
Total assets	$31,983,924
LIABILITIES	
Accounts payable and accrued liabilities	$ 793,914
Province of Ontario loan (note 6)	1,190,000
Capital advance (note 5)	30,000,000
Total liabilities	31,983,914
SHAREHOLDER'S EQUITY	
Capital stock (note 7)	10
Total liabilities and shareholder's equity	$31,983,924

Commitments (note 8)
See accompanying notes to financial statements.

On behalf of the Board:

Director

Director

AUDITORS' REPORT

To the Shareholder of
the Stadium Corporation of Ontario Limited:

We have examined the balance sheet of the Stadium Corporation of Ontario Limited as at December 31, 1985 and the statements of operations and changes in financial position for the period August 1, 1984 to December 31, 1985. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation as at December 31, 1985 and the results of its operations and the changes in its financial position for the period then ended in accordance with generally accepted accounting principles.

Clarkson Gordon

Toronto, Canada
March 7, 1986.

Clarkson Gordon
Chartered Accountants

STADIUM CORPORATION OF ONTARIO LIMITED

Statement of Operations
for the period August 1, 1984 to December 31, 1985

Revenue:	
Province of Ontario	$1,500,000
Interest	42,816
	1,542,816
Expenses:	
Consultant fees — engineering	1,757,765
— legal	244,964
— management	81,735
Salaries and benefits	229,102
Market research	125,817
General	33,404
Information services	22,321
Equipment rental	21,249
Transportation and communication	20,559
Depreciation	19,945
Office supplies	11,964
Insurance	3,478
Incorporation costs	10
	2,572,313
Excess of expenses over revenue	$1,029,497
Amount deferred as preconstruction costs (note 4)	$1,029,497

Statement of Changes in Financial Position
for the period August 1, 1984 to December 31, 1985

Cash provided by (used in) operating activities:	
Deferred preconstruction costs	$(1,029,497)
Add items not requiring an outlay of funds —	
Depreciation expense	19,945
Incorporation costs	10
Net change in non-cash working capital items	775,535
Total cash used in operating activities	(234,007)
Cash provided by financing activities:	
Province of Ontario loan	1,190,000
Province of Ontario capital advance	30,000,000
	31,190,000
Cash used in investment activities:	
Purchase of fixed assets	(142,990)
Increase in cash during the period and cash, end of period	$30,813,003

See accompanying notes to financial statements.

STADIUM CORPORATION OF ONTARIO LIMITED

Notes to Financial Statements
December 31, 1985

1. THE STADIUM CORPORATION OF ONTARIO LIMITED

The Corporation was incorporated under the Ontario Business Corporations Act (1982) on August 1, 1984 as the Ontario Sports Stadium Corporation, authorized to issue an unlimited number of shares. On August 27, 1984 the Corporation officially changed its name to the Stadium Corporation of Ontario Limited. As at December 31, 1985 all of the issued shares of the Corporation are owned by Her Majesty in right of Ontario as represented by the Treasurer of Ontario and the Minister of Economics. The Corporation's only activity is to cause to be built and to operate a domed stadium in Metropolitan Toronto. These financial statements include the results of operations of the Corporation for the seventeen months from August 1, 1984 to December 31, 1985, with the majority of the expenditures and activities being incurred in the twelve months ended December 31, 1985.

2. ACCOUNTING POLICIES

These financial statements are prepared in accordance with generally accepted accounting principles considered appropriate for development companies of this type, the more significant of which are as follows:

(a) Fixed assets —
Fixed assets are stated at cost. Depreciation is provided at the following rates:

Furniture and fixtures	— 20% declining balance
Office equipment	— 20% declining balance
Leasehold improvements	— Life of lease

(b) Government advances —
Advances from the Province of Ontario towards current expenses are included in revenue in the current period.

(c) Deferred preconstruction costs —
The excess of expenses over revenue during the development stage will be capitalized as preconstruction costs and will be included in the total costs of construction of the stadium.

3. FIXED ASSETS

	1985		
	Cost	Accumulated depreciation	Net book value
Furniture and fixtures	$ 66,079	$13,216	$ 52,863
Office equipment	33,644	6,729	26,915
Leasehold improvements	43,267		43,267
	$142,990	$19,945	$123,045

4. PRECONSTRUCTION COSTS

The excess of expenses over revenue during the development phase of $1,029,497 has been capitalized as preconstruction costs.

5. CAPITAL ADVANCE

In the period August 1, 1984 to December 31, 1985 the Province of Ontario advanced to Stadium Corporation of Ontario Limited an operating advance of $1,500,000 which has been included in revenue in the above period. The Province of Ontario has also advanced the Corporation $30,000,000 as its contribution towards the capital cost of the domed stadium. These funds are required to be deposited in a non-interest bearing account with the Province of Ontario Savings Office and they may not be disbursed without consent of the Treasurer of Ontario, Minister of Economics and Minister of Tourism and Recreation. This advance is to be returned to the Province if the stadium is not built.

STADIUM CORPORATION OF ONTARIO LIMITED

Notes to the financial statements — Concluded
December 31, 1985

6. OTHER DEBT

The Province of Ontario has advanced the Corporation $1,190,000 at December 31, 1985 to cover operating expenditures and which is to be repaid once the stadium becomes operational. The advance currently does not bear interest.

7. SHARE CAPITAL

Authorized:

An unlimited number of common shares

Issued:

10 common shares	$10

The Corporation issued 10 common shares with an assigned value of $1 each to the Treasurer of Ontario in return for incorporation services provided to the Corporation by the Province of Ontario.

8. COMMITMENTS

The Corporation is responsible for the construction of a domed stadium in Metropolitan Toronto at an estimated cost of approximately $235,000,000, using funds received from various private and public sources. As of the date of these financial statements the necessary approvals, the actual construction costs and the financing arrangements are yet to be finalized.

TEACHERS' SUPERANNUATION FUND

Statement Of Net Assets Available For Benefits
as at December 31, 1985
(in thousands)

ASSETS

	1985	1984
Investments		
Province of Ontario debentures	$8,189,100	$7,049,100
Short term	69,576	61,519
	8,258,676	7,110,619
Receivable from the Province of Ontario		
Matching contributions	211,579	191,275
Interest on matching contributions	66,864	39,007
	278,443	230,282
Accrued interest receivable	279,271	229,294
Cash	17,416	14,419
Total assets	8,833,806	7,584,614

LIABILITIES

Accounts payable and accrued liabilities	5,250	3,594
Payable to school boards, net	486	624
Payable to Superannuation Adjustment Fund	4,011	2,226
Total liabilities	9,747	6,444
Net assets available for benefits (note 3)	$8,824,059	$7,578,170

Approved by

Chairman

Director

TEACHERS' SUPERANNUATION FUND

Statement Of Changes In Net Assets Available For Benefits
for the year ended December 31, 1985
(in thousands)

	1985	1984
Interest income		
Investments	$ 883,133	$ 745,221
Payments for additional credit in the Fund and board contributions	10,709	8,110
Other, primarily interest on repayments	3,486	275
	897,328	753,606
Contributions		
By contributors employed in education by		
School boards	250,577	233,291
Designated private schools or organizations	5,336	5,465
For credit in the Fund	5,281	2,223
Matching contributions		
Province of Ontario including interest of $46,638 ($39,007 in 1984)	258,217	230,282
Designated private schools or organizations	5,336	5,465
Payments by Province of Ontario re unfunded liability (note 3)	39,098	39,098
Repayments of refunds	1,641	3,122
Transfers from other pension funds	3,194	1,991
	568,680	520,937
Total revenue	1,466,008	1,274,543
Benefits paid	339,518	291,624
Less recovery from:		
Province of Ontario		
Minimum pension and escalation subsidies for certain contributors	13,686	14,279
Escalation of pensions of contributors who did not contribute to Superannuation Adjustment Fund	82,612	73,696
Superannuation Adjustment Fund	40,741	31,326
	137,039	119,301
Net benefits paid	202,479	172,323
Refunds and transfers		
Refunds of contributions and interest	9,360	6,826
Transfers to other pension plans	3,231	1,931
	12,591	8,757
Administration expenditures	5,049	4,387
Total expenditure	220,119	185,467
Net increase in net assets available for benefits	1,245,889	1,089,076
Net assets available for benefits at beginning of year	7,578,170	6,489,094
Net assets available for benefits at end of year (note 3)	$8,824,059	$7,578,170

TEACHERS' SUPERANNUATION FUND

Statement of Long Term Investments

Province of Ontario debentures
as at December 31, 1985
(in thousands)

Maturity Date	Interest Rate (%)	1985 Principal	1985 %	1984 Principal	1984 %
1987	6.00 – 6.99	$ 176,000	2.15	$ 176,000	2.50
1992-1994	6.00 – 6.99	454,500	5.55	454,500	6.45
	8.00 – 8.99	195,000	2.38	195,000	2.77
		649,500	7.93	649,500	9.22
1995-1997	7.00 – 7.99	110,000	1.35	110,000	1.56
	8.00 – 8.99	172,000	2.10	172,000	2.44
	10.00 – 10.99	197,500	2.41	197,500	2.80
		479,500	5.86	479,500	6.80
1998-2000	7.00 – 7.99	9,500	0.12	9,500	0.13
	8.00 – 8.99	286,100	3.49	286,100	4.06
	9.00 – 9.99	1,026,000	12.53	1,026,000	14.55
	11.00 – 11.99	273,000	3.33	273,000	3.87
		1,594,600	19.47	1,594,600	22.61
2001-2003	9.00 – 9.99	488,000	5.96	488,000	6.92
	10.00 – 10.99	334,500	4.08	334,500	4.75
	11.00 – 11.99	296,000	3.61	296,000	4.20
	12.00 – 12.99	230,000	2.81	230,000	3.26
	13.00 – 13.99	315,000	3.85	315,000	4.47
		1,663,500	20.31	1,663,500	23.60
2004-2006	11.00 – 11.99	490,000	5.98		
	12.00 – 12.99	1,396,000	17.05	761,000	10.80
	13.00 – 13.99	460,000	5.62	445,000	6.31
	14.00 – 14.99	335,000	4.09	335,000	4.75
		2,681,000	32.74	1,541,000	21.86
2007-2009	15.00 – 15.99	945,000	11.54	945,000	13.41
		8,189,100	100.00	7,049,100	100.00

TEACHERS' SUPERANNUATION FUND

Statement of Administration Expenditures for the year ended December 31, 1985 (in thousands)

	1985	1984
Salaries and benefits	$3,429	$3,116
Printing and stationery	268	155
Data processing services	209	288
Computerized accounting project	183	
Postage, distribution and advertising	159	122
Repairs & maintenance	104	67
Equipment rental	92	90
Telecommunications	90	86
Commissioners' costs	67	67
Actuarial services	62	62
Equipment purchases	52	94
Audit fees	47	34
Consulting services	47	20
Other	44	28
Bank services	43	32
Utilities	42	41
Legal fees	35	20
Travel	35	32
Translation services	24	21
Medical fees	17	12
	$5,049	$4,387

Notes to Financial Statements for the year ended December 31, 1985

1. DESCRIPTION OF THE PLAN

The following brief description of the Teachers' Superannuation pension plan (the Plan) is provided for general purposes only. For more complete information reference should be made to the Teachers' Superannuation Act, 1983 (the Act).

(a) General

The Plan is a contributory defined benefit pension plan of the Province of Ontario and is mandatory for persons who satisfy eligibility requirements provided in the Act. Under this Plan contributions are made by contributors, certain boards and organizations and the Province of Ontario.

(b) Funding Policy

The Pension Benefits Act of Ontario requires that the Ontario Government, acting as the Plan sponsor, must fund the benefits determined under the Plan. The determination of the value of these benefits is made on the basis of a triennial actuarial valuation.

(c) Service Pensions

A service pension is available based on credit in the Fund, best five year average salary and age of contributor. A 90 factor provides an unreduced pension at any age. An early retirement service pension is available from age 55 and reduction factors apply.

(d) Disability Pensions

A disability pension is available at any age with a minimum of 10 years credit. A total disability pension is paid where the contributor is determined by the Teachers' Superannuation Commission (the Commission) to be incapable of further employment. A partial disability pension is paid where the contributor is determined by the Commission to be totally disabled from further employment in education only.

(e) Survivor Pensions

A survivor pension is paid to a spouse, as defined in the Family Law Reform Act, a dependant child, or a named dependant of a contributor who has a minimum of 10 years credit.

TEACHERS' SUPERANNUATION FUND

Notes to Financial Statements — Continued

(f) Death Refunds

A death refund is payable to the estate of a pensioner or survivor where such pensions have not been paid to the full extent of the individual's contributions plus interest. In a similar manner, a death refund is payable to the estate of a contributor where no survivor pension is paid.

(g) Withdrawal Refunds

Upon application and subject to the lock in provisions, withdrawal refunds, with interest on the contributions, are payable where a contributor ceases to be employed in education.

(h) Income Taxes

The Teachers' Superannuation Fund (the Fund) is a Registered Pension Trust as defined by the Income Tax Act.

(i) Superannuation Adjustment Fund

The Superannuation Adjustment Fund (the S.A.F.) is a contributory plan set up under the Superannuation Adjustment Benefits Act to provide cost-of-living escalations to pensioners under the Teachers' Superannuation Act. The Teachers' Superannuation Fund acts as an agent of the S.A.F. in the collection of contributions and the payment of benefits.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation

The statements present the aggregate financial position of the Fund and have been prepared in accordance with generally accepted accounting principles except as indicated under the basis of accounting. They are prepared to assist plan participants in reviewing the activities of the Fund for the fiscal period.

The financial statements do not purport to reflect the financial status of the plan if terminated on the valuation date nor do they reflect the funding requirements of the Plan.

(b) Basis of Accounting

i) Revenue

Contributions from contributors as well as matching contributions from designated private schools or organizations are recorded in the year in which they are received.

The matching contributions from the Province are recorded as an amount equal to the contributions of the contributors including payments for credit in the Fund where applicable, for the year preceding the current year. Interest is recorded on this amount for the nineteen month period ended December 31 of the current year in accordance with Section 6 of the Teachers' Superannuation Act, 1983.

Special payments from the Province are recorded in the year in which they are received.

ii) Expenditure

Capital expenditures, including expenditures for real property, are reflected as administration expenditures in the statement of changes in net assets available for benefits in accordance with the Act.

No provision is made for future benefits to be paid to contributors or for refunds to eligible former contributors who have ceased to be employed in education and have not elected to withdraw their contributions. However, provisions for such amounts are included in the determination of the actuarial liabilities.

iii) Investments

Province of Ontario debentures

Maturing debentures and other surplus funds, will be used to purchase Province of Ontario debentures in accordance with Section 72 of the Act. Province of Ontario debentures are stated at cost. These investments are not valued at their current market value as they are required to be held to the maturity of the debenture. Accordingly, increases or decreases in current value will not be realized.

Short term

Short term investments are stated at cost which approximates market value.

3. NET ASSETS AVAILABLE FOR BENEFITS

The adequacy of the net assets available for benefits is determined by an actuarial valuation at least once each three years.

The benefit and contribution structure of the Teachers' Superannuation Plan was amended as of September 1, 1984 and in such circumstances the Pension Benefits Act requires that a valuation be prepared and filed with the Ontario Pension Commission. The Pension Commission has agreed to accept the triennial valuation of the Fund as at December 31, 1984 in satisfaction of this requirement. This valuation report will be available in April, 1986. Therefore, the latest actuarial valuation was at December 31, 1981. Recent changes to the benefit structure were announced in February 1986. A valuation report on these changes will be prepared as at December 31, 1985.

TEACHERS' SUPERANNUATION FUND

Notes to Financial Statements — Concluded

The actuarial liabilities of the plan are determined by applying actuarial assumptions to project the amount and timing of future benefits, refunds and teacher and matching contributions, and then discounting those projected benefits and contributions to reflect the time value of money between the valuation date and the expected dates of payment.

The actuarial valuation at December 31, 1981 revealed the following:

	(in thousands)
Net assets available for benefits at December 31, 1981	$4,779,000
Adjustment to reflect yield on invested assets equivalent to valuation interest assumption	1,144,000
Contributions receivable from Province	277,000
Other assets, net of non-actuarial liabilities	49,000
Present value of expected excess interest on future debentures	2,146,000
Actuarial assets	8,395,000
Actuarial liabilities	8,828,000
Unfunded liability at December 31, 1981	$ 433,000

The unfunded liability as at December 31, 1981 is being funded in accordance with the Pension Benefits Act. Accordingly, the Province is making special payments annually of $39,098,000 until December 31, 1990 and $22,980,000 thereafter. Taking account of the special payments made in respect of 1982 to 1984 inclusive, the projected unfunded liability as at December 31, 1984 based on the December 31, 1981 valuation was $405 million.

Note:

Subsequently in fiscal 1986-87, the actuarial report as at December 31, 1984 was filed declaring a surplus of $693 million and as a result the $39 million was refunded by the Teachers' Superannuation Commission.

4. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to reflect the financial statement presentation adopted for 1985.

To the Members of the Teachers' Superannuation Commission
and to the Treasurer of Ontario.

I have examined the statements of net assets available for benefits and long term investments of the Teachers' Superannuation Fund as at December 31, 1985, and the statements of changes in net assets available for benefits and administration expenditures for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Fund as at December 31, 1985 and the results of its operations for the year then ended in accordance with accounting policies set out in note 2 to the financial statements, applied on a basis consistent with that of the preceding year.

A report on the audit has been made to the Commission and to the Treasurer of Ontario.

D.F. Archer

Toronto, Ontario,
February 7, 1986.

D.F. Archer, F.C.A.,
Provincial Auditor.

TORONTO AREA TRANSIT OPERATING AUTHORITY
(Incorporated without share capital under the Toronto Area Transit Operating Authority Act)

Balance Sheet as at March 31, 1986
(With comparative figures for 1985)
(In thousands of dollars)

ASSETS

	1986	1985
Current	$	$
Cash	1,143	136
Accounts receivable	1,933	3,010
Deposit with C.N.R.	10,200	9,000
Due from the Province of Ontario	20,152	13,271
Spare parts and supplies	1,209	1,275
Prepaid expenses	380	295
	35,017	26,987
Fixed		
Land	24,910	24,850
Buildings and equipment (Note 2)	161,123	166,198
Leasehold improvements, net of accumulated amortization of $327 (1985 — $250)	1,340	1,243
Improvements to railway right of way and railway plant, net of accumulated amortization of $30,231 (1985 — $24,694)	90,431	81,915
Construction in progress		
Toronto Transportation Terminal Project (Note 6)	30,489	21,902
Other	11,831	17,256
	320,124	313,364
	355,141	340,351

LIABILITIES

Current	$	$
Accounts payable and accrued liabilities	32,148	26,679
Unearned revenue in respect of tickets sold and not used	784	155
	32,932	26,834

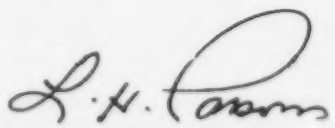
EQUITY

Province of Ontario	322,209	313,517
	355,141	340,351

Commitments (note 6)

See accompanying notes to financial statements.

On behalf of the Members



Chairman

Member

TORONTO AREA TRANSIT OPERATING AUTHORITY

Statement of Equity
for the year ended March 31, 1986
(With comparative figures for 1985)
(In thousands of dollars)

	1986	1985
	$	$
Equity at beginning of year	313,517	310,046
Capital contribution from the Province of Ontario	25,350	20,370
B.I.L.D. contributions from the Province of Ontario		165
Other M.T.C. contributions from the Province of Ontario	681	
	339,548	330,581
Amortization of capital contributions	(17,339)	(17,064)
Equity at end of year	322,209	313,517

Statement of Operations
for the year ended March 31, 1986
(With comparative figures for 1985)
(In thousands of dollars)

	1986	1985
	$	$
Revenue		
Commuter services	51,647	49,607
Sundry revenue (Note 4)	5,519	5,210
	57,166	54,817
Expenses (Note 5)		
Train and bus operations	74,266	74,030
Terminals and plant	31,300	29,003
General and administration	15,637	15,524
	121,203	118,557
Loss from operations	64,037	63,740
Operating subsidy from the Province of Ontario including amortization of capital contributions of $17,339 (1985 — $17,064)	64,037	63,740
Net income for the year	—	—

See accompanying notes to financial statements.

TORONTO AREA TRANSIT OPERATING AUTHORITY

Statement of Changes in Financial Position
for the year ended March 31, 1986
(With comparative figures for 1985)
(In thousands of dollars)

	1986 $	1985 $
Cash from (used in) operations		
Revenue	57,166	54,817
Expenses	(121,203)	(118,557)
Adjustments for non-cash items:		
Depreciation and amortization	17,339	17,064
Gain on sale of fixed assets	(2,154)	94
	(48,852)	(46,582)
Net change in non-cash working capital balances	(925)	(138)
	(49,777)	(46,720)
Cash from (used in) investment		
Fixed asset additions	(26,031)	(20,535)
Fixed asset disposals	4,086	123
	(21,945)	(20,412)
Cash from financing		
Province of Ontario		
Operating subsidy	46,698	46,676
Capital Contributions	26,031	20,535
	72,729	67,211
Net increase in cash	1,007	79
Cash, beginning of year	136	57
Cash, end of year	1,143	136

See accompanying notes to financial statements.

Notes to Financial Statements
for the year ended March 31, 1986
(With comparative figures for 1985)
(In thousands of dollars)

1. Summary of Significant Accounting Policies

(a) General

These financial statements are prepared by management in accordance with accounting principles generally accepted in Canada.

(b) Spare parts and supplies

Spare parts and supplies are valued at the lower of cost and replacement cost.

(c) Fixed assets

Fixed assets are valued at cost.

The Authority provides for the depreciation and amortization of the various classes of assets over their estimated useful lives on a straight line basis. Depreciation for locomotives and auxiliary power control units is calculated using a straight line rate applied to cost plus an estimation of future overhaul costs.

TORONTO AREA TRANSIT OPERATING AUTHORITY

Notes to Financial Statements — Continued
for the year ended March 31, 1986
(With comparative figures for 1985)
(In thousands of dollars)

1. Summary of Significant Accounting Policies — Continued

Building and equipment	
Shelters and ticket booths	5 years
Other buildings	20 years
Locomotives and auxiliary power control units	25 years
Other railway rolling stock	25 years
Buses	12 years
Parking lots	20 years
Sundry — Furniture and fixtures	12 years
— Other	3-5 years
Improvements to railway right of way and railway plant	20 years
Leasehold improvements	20 years

(d) Commuter Services Revenue
Revenue is recognized when the transportation service is provided. Unearned amounts are reflected in the balance sheet as current liabilities.

(e) Subsidies
Operating subsidies paid by the Province of Ontario are treated as reductions of operating losses. Capital contributions from the Province of Ontario are included in equity and are amortized to income over the useful lives of the related assets.

2. Buildings and Equipment

	1986			1985
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Buildings	$ 31,075	$10,303	$ 20,772	$ 20,665
Locomotive and auxiliary power control units	30,930	13,531	17,399	15,347
Other railway rolling stock	143,139	34,509	108,630	116,389
Buses	19,377	12,376	7,001	7,162
Parking lots	7,372	2,280	5,092	4,417
Sundry	5,067	2,838	2,229	2,218
	$236,960	$75,837	$161,123	$166,198

3. Operating Agreements
Substantially all of the service provided by the Authority are operated by outside parties using vehicles and rolling stock owned by the Authority. Charges from the parties in respect of the operating agreements are recorded on an incurred and estimated basis. These services are governed by the following agreements.

Canadian National Railway	June 1, 1977 to May 31, 1987
Gray Coach Lines	to December 31, 1986
Canadian Pacific Limited	October 26, 1981 to October 25, 1991

Services are also provided by Charterways Transportation Limited. The agreement with Charterways Transportation Limited expired December 31, 1985. A new agreement is presently under negotiation.

TORONTO AREA TRANSIT OPERATING AUTHORITY

Notes to Financial Statements — Continued
for the year ended March 31, 1986
(With comparative figures for 1985)
(In thousands of dollars)

4. Sundry Revenue

The details of sundry revenue are as folows:

	1986	1985
	$	$
Interest income	309	321
Rentals — Rolling Stock	1,261	2,855
Rentals — Space	583	546
Advertising revenue	325	259
Commissions — Ticket Sales	525	469
Sale of Assets	2,154	(91)
Other	362	851
	5,519	5,210

5. Expenses

Further details of expenses are as follows:

	1986	1985
	$	$
Salaries, wages and fringe benefits	21,168	17,041
Payments to outside parties for operation of services	42,549	47,739
Fuel and Oil	8,971	7,817
Other expenses	20,668	18,206
	93,356	90,803
Leases, rentals and user charges	10,508	10,690
Depreciation and amortization	17,339	17,064
Total expenses	121,203	118,557

Of the total expenses above, $93,356 (1985 — $90,803) is recognized as recoverable, in part, from passengers and other sources of revenue. The target amount to be ultimately recovered, has been established by the Authority at 65% of the recoverable expenses. In 1986, total revenue amounted to $57,166 (1985 — $54,817) and represents a recovery of 61.2% (1985 — 60.4%) of the recoverable expenses.

6. Commitments

(a) Purchases of bi-level commuter rail cars

Subsequent to year end the Authority will have transferred to it the following assets from the discontinued GO ALRT project;

— Deposit on contract with the Urban Transportation Development Corporation Ltd. for the purchase of 63 bi-level commuter rail cars	$ 8,234
— Completed construction useful to the heavy rail expansion program, at cost	5,829
TOTAL	$14,063

The balance of the purchase price for the Bi-level Commuter Coaches of $74,102 will be paid out over the period to September, 1988 as the Authority takes delivery of the Coaches.

(b) Toronto Transportation Terminal Project

The Toronto Transportation Terminal Project initially involved the Province of Ontario, the Authority, the Government of Canada, the Canadian National Railway, Canadian Pacific Limited and the Toronto Terminals Railway Company. As the parties could not reach agreement on a satisfactory cost sharing arrangement for the capital costs of the project, work is proceeding at the Authority's expense on a modified program which provides only for the immediate needs of the Authority's services.

TORONTO AREA TRANSIT OPERATING AUTHORITY

Notes to Financial Statements — Concluded
for the year ended March 31, 1986
(With comparative figures for 1985)
(In thousands of dollars)

(c) Leases

Minimum operating lease payments in each of the next five years and in aggregate are as follows:

1986-1987	$ 1,922
1987-1988	1,495
1988-1989	1,259
1989-1990	1,217
1990-1991	1,195
Thereafter	6,840
	$13,928

In addition to the commitments above the Authority has entered an agreement to lease land which expires in 2079. The annual rental under this lease is $120.

7. Pensions

The Authority provides pension benefits for its employees through participation in the Public Service Superannuation Fund established by the Province of Ontario. The Province is amortizing the unfunded liability of the plan through a series of annual payments and has charged the Authority for its share of such payments for the year.

8. Comparative Figures

Certain of the comparative figures have been reclassified to conform to the presentation adopted in the current year.

To the Members of the Toronto Area Transit Operating Authority and
to the Minister of Transportation and Communications.

I have examined the balance sheet of the Toronto Area Transit Operating Authority as at March 31, 1986 and the statements of equity, operations and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Authority as at March 31, 1986 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

A report on the audit has been made to the Authority and to the Minister.

J.F. Otterman

Toronto, Ontario,
May 23, 1986.

J.F. Otterman, F.C.A.,
Assistant Provincial Auditor.

URBAN TRANSPORTATION DEVELOPMENT CORPORATION LTD.

Consolidated Balance Sheet
as at December 31, 1985
(in thousands of dollars)

ASSETS

	1985 $	1984 $
CURRENT ASSETS		
Funds in escrow (note 3)	8,806	7,826
Accounts receivable (note 4)	65,667	76,332
Due from shareholder — Province of Ontario	11,496	4,110
Inventories	3,153	4,430
Prepaid expenses and deposits	1,321	909
	90,443	93,607
HOLDBACKS RECEIVABLE	6,784	5,084
DEFERRED CONTRACT COSTS	68,505	54,808
FIXED ASSETS (note 5)	38,337	41,064
DESIGN AND DEVELOPMENT COSTS (note 6)	17,800	15,407
OTHER ASSETS	862	841
	222,731	210,811

Auditors' Report to the Shareholder

We have examined the consolidated balance sheet of Urban Transportation Development Corporation Ltd. as at December 31, 1985 and the consolidated statements of operations and retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Corporation as at December 31, 1985 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Coopers & Lybrand

Chartered Accountants, Toronto, Ontario
March 21, 1986

URBAN TRANSPORTATION DEVELOPMENT CORPORATION LTD.

Consolidated Balance Sheet
as at December 31, 1985
(in thousands of dollars)

LIABILITIES

	1985 $	1984 $
CURRENT LIABILITIES		
Bank indebtedness (note 7)	43,297	36,961
Accounts payable and accrued liabilities	37,842	33,362
Current portion of long-term debt (note 8)	1,500	500
	82,639	70,823
HOLDBACKS PAYABLE	3,164	2,418
DEFERRED REVENUE	67,282	64,415
LONG-TERM DEBT (note 8)	3,547	5,047
	156,632	142,703
MINORITY INTEREST	899	360
CONTINGENCIES (note 10)		

SHAREHOLDER'S EQUITY

CAPITAL STOCK		
Authorized —		
20,000,000 common shares		
Issued and fully paid —		
14,240,008 common shares	35,691	35,691
RETAINED EARNINGS	20,228	21,798
EXCESS OF APPRAISED VALUE OF FIXED ASSETS OVER DEPRECIATED COST (note 1(d))	9,281	10,259
	65,200	67,748
	222,731	210,811

Signed on behalf of the Board

Director

Director

URBAN TRANSPORTATION DEVELOPMENT CORPORATION LTD.

Consolidated Statement of Operations and Retained Earnings for the year ended December 31, 1985 (In thousands of dollars)

	1985 $	1984 $
REVENUE		
Contract	250,133	258,744
Interest	1,337	3,958
	251,470	262,702
EXPENSES		
Contract, operating and administrative (note 2)	249,438	244,398
Interest	3,837	4,964
	253,275	249,362
EARNINGS (LOSS) BEFORE ROYALTY PAID TO SHAREHOLDER	(1,805)	13,340
ROYALTY PAID TO SHAREHOLDER	204	1,328
EARNINGS (LOSS) FOR THE YEAR BEFORE MINORITY INTEREST	(2,009)	12,012
MINORITY INTEREST	539	(300)
NET EARNINGS (LOSS) FOR THE YEAR	(2,548)	12,312
RETAINED EARNINGS — BEGINNING OF YEAR	21,798	8,381
Transfer of excess of appraised value of fixed assets over depreciated cost	978	1,105
	22,776	9,486
RETAINED EARNINGS — END OF YEAR	20,228	21,798

Consolidated Statement of Changes in Financial Position for the year ended December 31, 1985 (In thousands of dollars)

	1985 $	1984 $
SOURCE OF FUNDS		
Net earnings (loss) for the year	(2,548)	12,312
Items not representing an outlay (receipt) of funds —		
Deferred revenue taken into income	(162,868)	(165,527)
Deferred contract costs charged against income	163,808	165,940
Depreciation and amortization	4,817	4,098
Minority interest's share of earnings (loss) of subsidiary corporation	539	(300)
Provided by operations	3,748	16,523
Increase in deferred revenue	165,735	146,087
Debt and minority interest arising on the acquisition of Can Car Rail Inc.	—	6,207
Decrease (increase) in design and development costs	(2,393)	3,150
Net increase in holdbacks payable	746	2,418
	167,836	174,385
USE OF FUNDS		
Increase in deferred contract costs	177,505	155,066
Decrease in long term debt	1,500	1,680
Assets acquired on the acquisition of Can Car Rail Inc.	—	7,160
Net increase in holdbacks receivable	1,700	5,084
Net additions to fixed assets	2,090	6,206
Other	21	47
	182,816	175,243
DECREASE IN WORKING CAPITAL	14,980	858
WORKING CAPITAL — BEGINNING OF YEAR	22,784	23,642
WORKING CAPITAL — END OF YEAR	7,804	22,784

URBAN TRANSPORTATION DEVELOPMENT CORPORATION LTD.

Notes to Consolidated Financial Statements for the year ended December 31, 1985

1. ACCOUNTING POLICIES

The consolidated financial statements of the Corporation have been prepared by management in accordance with accounting principles generally accepted in Canada. The significant accounting policies are summarized below:

(a) Consolidation

These financial statements include the accounts of the Corporation and its subsidiaries.

(b) Accounting for long-term contracts

Revenues and expenditures under cost reimbursable contracts are recorded as costs are incurred and fees are earned. Revenues and expenditures on long-term fixed price contracts are recorded on a percentage of completion basis, measured by costs incurred. Provisions for losses on contracts are recorded when they become known.

(c) Inventories

Raw materials and supplies are valued at the lower of cost and net realizable value.

(d) Fixed assets

Fixed assets are recorded at cost except for the Kingston test facility and equipment which is recorded at appraised value as at December 31, 1980. Additions to the test facility and equipment subsequent to December 31, 1980 are recorded at cost.

Depreciation commences when the asset is put into service and terminates upon disposal.

Fixed assets are being depreciated by the declining balance method at the following rates per annum. The excess of appraised value of fixed assets over depreciated cost is transferred to retained earnings using the aforementioned method and the following rates:

	Rate (%)
Buildings and land improvements	5 and 10
Test facility	5 and 10
Manufacturing equipment	20 and 30
Test equipment	10 and 30
Furniture and office equipment	20

Tooling is being amortized on a units-of-production basis. Computer equipment and software is being depreciated on a straight-line basis over five years.

(e) Design and development costs

The Corporation defers expenditures which are identified with those specific projects for which marketable products have been designed and commercial markets identified.

These costs are allocated to contracts on the basis of the Corporation's estimate of the market for these products. When a contract is signed, the applicable design and development costs are allocated to deferred contract costs and subsequently amortized on the same basis as revenue is recognized.

(f) Patents

Patents are recorded at cost and amortized on a straight-line basis over a period of ten years.

(g) Warranty costs

The Corporation's policy is to provide an amount which at any point in time will be sufficient to cover expected warranty costs.

(h) Translation of foreign currencies

The Corporation conducts a substantial portion of its business in foreign currencies. A significant portion of such transactions are covered by forward exchange contracts. Related assets and liabilities and income and expense accounts have been converted to Canadian funds at the contract rate. The gains or losses arising from settlement of these contracts are included in the determination of net earnings for the year in which realized.

(i) Pension plan

The Corporation's policy is to fund pension costs as accrued based on the actuarial valuation performed a minimum of every three years. Surpluses arising in the plan are used to offset employer contributions.

(j) Licensing and royalty income

Front-end licensing fees, to the extent that they represent unconditional non-refundable payments, are recorded as income immediately upon the execution of a licensing agreement. Royalties which are based on sales of the Corporation's products by licenses, are recorded in income as revenues are accrued by the licensee.

URBAN TRANSPORTATION DEVELOPMENT CORPORATION LTD.

Notes to Consolidated Financial Statements — Continued
for the year ended December 31, 1985

2. GO-ALRT CONTRACT CANCELLATION

During the year the Province of Ontario cancelled its contract with the Corporation for the design, development, manufacturing and delivery of an advanced electrified commuter rail program. This program was to be based upon the ICTS technology, know-how and data. Under the terms of this contract the Corporation, upon termination for convenience by the client, was entitled to submit a claim for losses suffered as a result of the contract cancellation. An arbitrator was appointed to review the claim and propose a settlement. The arbitrator's proposed settlement included a cash amount of $7.9 million; forgiveness of ICTS Royalties of $1.2 million and mitigation of manufacturing start-up, learning curve and other costs, future unabsorbed overheads and idle capacity costs to be derived from the award of a contract for conventional bi-level commuter rail cars.

Subsequent to the arbitrator's recommendation, the letter of intent to purchase the bi-levels was issued without any mitigation of the above noted costs. Although the Corporation has rejected the Government's position, the Government, as Shareholder, has mandated that the Corporation absorb the financial consequences of these costs, including manufacturing start-up, learning curve and other costs amounting to $5.8 million.

The net impact of the resolution of the claims and the write-off of the above costs has been reflected in the contract costs expensed during the year.

3. FUNDS IN ESCROW

Funds in escrow represent advances on contracts which are released to the Corporation once certain milestones are achieved. Under the terms of these contracts the interest on these funds accrues to the Corporation.

4. ACCOUNTS RECEIVABLE

Included in accounts receivable is approximately $4.2 million (1984 — $31.8 million) related to revenue earned, on the percentage of completion basis which has not yet been invoiced to customers.

Included in accounts receivable is approximately $5.6 million in respect of amounts withheld by BC Transit due to disputes arising out of interpretation of the contract. Legal counsel has been retained by the Corporation to advise and assist in defense of these issues. Legal counsel is of the opinion that the position taken by the Corporation has merit. In management's opinion, these disputes will be resolved in the Corporation's favour and there will be no material effect on the financial position of the Corporation.

5. FIXED ASSETS

	1985			1984
	Carrying Value (note 1(d))	Accumulated Depreciation	Net	Net
	(In thousands of dollars)			
	$	$	$	$
Land	1,909	—	1,909	1,909
Building & land improvements	9,247	1,567	7,680	8,079
Test facility	11,689	3,594	8,095	8,286
Manufacturing equipment & tooling	9,421	2,724	6,697	7,782
Test equipment	10,773	4,679	6,094	6,852
Computer equipment & software	6,497	1,580	4,917	5,215
Furniture and office equipment	3,311	1,269	2,042	2,002
Other	1,763	860	903	939
	54,610	16,273	38,337	41,064

6. DESIGN AND DEVELOPMENT COSTS

	(in thousands of dollars)	
	1985	1984
	$	$
Intermediate Capacity Transit System (ICTS)	13,945	14,378
Articulated Light Rail Vehicle (ALRV)	3,855	1,029
	17,800	15,407

URBAN TRANSPORTATION DEVELOPMENT CORPORATION LTD.

Notes to Consolidated Financial Statements — Continued
for the year ended December 31, 1985

The Corporation will amortize the above deferred expenditures on the basis of future vehicle sales. Management feels that the technical feasibility of the products has been established and that specific potential markets exist for the Corporation and its licensees. (see note 1.(e)). Further, management feels that these costs will be recovered from the anticipated future sales of the technologies.

7. BANK INDEBTEDNESS

Approximately $24 million of bank indebtedness is secured by certain accounts receivable, inventories and deferred contract costs.

8. LONG-TERM DEBT

Long-term debt is comprised of 10% notes with interest payable semi-annually. Principal repayments are due as follows: 1986 and 1987 — $1,500,000 per year; and 1988 — $2,047,000.

9. COMMITMENTS

(a) Long-term sales contracts

The Corporation has entered into various long-term sales contracts for the implementation of transit systems and support activities and/or the manufacture and supply of transit vehicles. As at December 31, 1985, the estimated value of the major contracts, escalated to the projected date of completion, is approximately $1.01 billion.

The following summary describes the major contracts by product group that the Corporation has committed to complete:

(i) ICTS Contracts
- — Vancouver ICTS — Contract with BC Transit (BCT) to implement a 21.4 kilometre ICTS and supply 114 vehicles by 1986.
- — Detroit ICTS — Contract with the Detroit Transportation Corporation (DTC) to implement a 4.7 kilometre ICTS and supply 12 vehicles by 1987. (Contract originally signed with the Southeastern Michigan Transportation Authority (SEMTA) assigned to DTC during the year).
- — Scarborough ICTS — Contract with the Toronto Transit Commission (TTC) to supply 28 vehicles and related system support activities by 1986.

(ii) Streetcar Contracts
- — Santa Clara ALRV — Contract with the Santa Clara County Transit District (SCCTD) to supply 50 vehicles by 1988.
- — TTC Streetcar — Contract with the TTC to supply 52 ALRV's by 1987.

(iii) Subway Contracts
- — TTC Subway Cars — Contract with the TTC to supply 126 subway cars by 1987.
- — Boston Subway — Contract with the Massachusetts Bay Transportation Authority (MTBA) to supply 58 subway cars by 1987.

The Province of Ontario has provided the following indemnities and bond guarantees with respect to the Corporation's contractual obligations (in millions of dollars):

BCT Contract — Vancouver ICTS	$300
DTC Contract — Detroit ICTS	82
TTC Contract — Scarborough ICTS	14
SCCTD Contract — Santa Clara ALRV	67
MBTA Contract — Boston Subway	71
	$534

(b) The Corporation is committed under various purchase contracts with suppliers and sub-contractors relative to the sales contracts. It is management's policy to secure terms under the purchase contracts similar to those contained in the sales contracts to which they relate. Purchase commitments to December 31, 1985 relating to the long-term contracts are approximately $199 million.

(c) The Corporation is committed to sell U.S. dollars and buy West German marks under long-term forward exchange contracts amounting to U.S. $36 million ($48 million Canadian) and DM 16 million ($8.4 million Canadian) respectively. These contracts mature at various dates throughout the period ended December 1987.

URBAN TRANSPORTATION DEVELOPMENT CORPORATION LTD.

Notes to Consolidated Financial Statements — Concluded
for the year ended December 31, 1985

10. CONTINGENCIES

Several issues have arisen between the Corporation and SEMTA or DTC in respect of which the Corporation has retained and used the advice of legal counsel. In the opinions of management and legal counsel, while it is premature to determine the financial impact of the following issues, the Corporation's claims have substantial merit. Management expects the following matters will not have a material effect on the Corporation's financial position.

(a) During 1984, the Corporation was directed by SEMTA to reject a certain number of guideway beams due to inadequate concrete cover over the reinforcing steel. The Corporation proceeded under protest, with SEMTA's direction, and directed its subcontractors to reperform the rejected work.

(b) During the year, cracks were detected in certain of the pre-cast concrete guideway beams. The Corporation has directed its subcontractors/consultants to redesign the defective work. The Corporation has yet to file claims against its subcontractors/consultants in respect of these costs.

(c) During the year, the Corporation was impeded from progressing toward completion of the project because of the uncertainty of the funding to be provided as well as the customer's inability to secure the required project professional liability insurance. These events have led to an extension of the contract schedule and increased its projected cost.

While it is premature to accurately estimate the costs in respect of the above items, it is expected that the total costs to be recovered, including all ancillary delays and claims, will not exceed $31 million. At December 31, 1985 costs totalling approximately $11 million for all of the above items have been included in deferred contract costs.

11. INCOME TAXES (in thousands of dollars)

(a) The Corporation's taxable subsidiaries have the following amounts available to reduce income for income tax purposes, the tax effect of which has not been recorded in the accounts:

Tax losses carry forward expiring	1991	$ 3,129
	1992	2,656
	1995	134
	1996	339
	1997	397
	1998	1,054
	1999	1,732
	2000	1,880
		11,321
Excess of undepreciated capital cost allowance over net book value of depreciable fixed assets		2,188
		$13,509

(b) The Corporation's taxable subsidiaries have investment tax credits in the amount of approximately $1,602 which may be used to reduce future income taxes payable, the tax effect of which has not been recorded in the accounts.

12. PENSION PLANS

The Corporation has pension plans covering all permanent employees. As at December 31, 1984, the date of the last actuarial valuation, the Corporation had no unfunded pension obligations.

13. SUBSEQUENT EVENT

Subsequent to the year end the Province of Ontario received offers for the purchase of the Corporation's business. On March 7, 1986 Lavalin Inc. was selected to enter final negotiations. Under the terms of the Lavalin bid, a new company would be established which would purchase the Corporation's existing inventory, certain prepaid expenses, fixed assets, design and development, technology, and goodwill. In addition, the Corporation's contracts will be either transferred or subcontracted to the new corporation with certain obligations and liabilities remaining with the Corporation.

The Lavalin bid provides for a cash payment estimated at approximately $30 million. The Corporation will retain a significant interest in the profits or losses resulting from the completion of business subcontracted or transferred by the Corporation to the new company. As at December 31, 1985 the net book value of the assets to be sold (net of appraisal surplus) is approximately $52 million. Negotiations between Lavalin and the Province of Ontario have not yet been completed and therefore the amount of the loss that would be reported by the Corporation in 1986, if the proposed transaction is consummated, cannot be reasonably estimated at this time.

WORKERS' COMPENSATION BOARD

Balance Sheet
Schedule 1 Accident Fund
December 31, 1985

	1985	1984 (restated Note 2)
	($ 000's)	
ASSETS		
Cash	1,457	2,619
Investments (Note 4)	1,914,213	1,704,911
Other Assets (Note 5)	563,381	437,521
Land, Buildings and Equipment (Note 6)	16,276	18,525
	2,495,327	2,163,576
LIABILITIES		
Accounts Payable and Accrued Charges (Note 7)	56,129	44,051
Estimated Present Value of Future Payments to Existing Schedule 1 Claimants	7,820,000	6,690,000
	7,876,129	6,734,051
UNFUNDED LIABILITY — Page	(5,380,802)	(4,570,475)
	2,495,327	2,163,576

Approved by the Board:

Chairman

Vice-Chairman of Administration and General Manager

To the Workers' Compensation Board and
to the Minister of Labour.

I have examined the balance sheets — Schedule 1 Accident Fund and Schedule 2 of the Workers' Compensation Board as at December 31, 1985 and the statements of income, expenses and unfunded liability — Schedule 1 Accident Fund and of changes in net deposits — Schedule 2 for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances; the estimated present value of future payments to existing Schedule 1 claimants was determined by the Board's Actuary and reviewed by an independent consulting actuary.

In my opinion, based on my examination and the report of the independent consulting actuary, these financial statements present fairly the financial position of the Board as at December 31, 1985 and the results of its operations for the year then ended in accordance with the accounting principles set out in Note 1 to the financial statements applied, after giving retroactive effect to the change in the valuation practice for determining the estimated present value of future payments to existing Schedule 1 claimants as described in Note 2 to the financial statements, on a basis consistent with that of the preceding year.

A report on the audit has been made to the Board and to the Minister.

Toronto, Ontario,
June 9, 1986

D.F. Archer, F.C.A.,
Provincial Auditor.

WORKERS' COMPENSATION BOARD

Consulting Actuary's Report on the Valuation of the Actuarial Liabilities of the Schedule 1 Accident Fund of the Workers' Compensation Board of Ontario as at December 31, 1985

The estimated present value of future compensation, pension payments and health care under Schedule 1 on account of accidents that occurred on or before December 31, 1985 in the amount of $7.82 billion has been determined by the Board's Staff Actuary, after consultation with us. We believe that the assumptions made in this valuation are appropriate and that the methods employed are in accordance with sound actuarial principles. We have made such tests of the calculations as were deemed necessary. We have also examined the data upon which the calculations were based and found it to be sufficient for the purposes of the valuation and consistent with the Board's financial statements.

The valuation was based on the provisions of the Workers' Compensation Act in effect as of December 31, 1985. Full provision has been made for potential future increases in the covered earnings ceiling and the level of pensions and temporary compensation resulting from the amendments to the Act contained in Bill 81 by using a net investment return assumption of 3% per annum, on the assumption that investment income in excess of that rate will be required to finance increases in benefits related to inflation. Changes in the Board's investment policy and assessment collection policy, which were made after December 31, 1985, were taken into account in selecting the net investment return assumption.

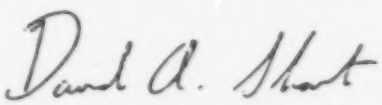
The present value includes the estimated present value of additional payments resulting from the amendments to the Act contained in Bill 101. Although it was necessary to use a number of approximations in estimating this amount, the effect of these approximations is not material for the purposes of the valuation.

The methods and assumptions employed in the valuation were consistent with those used in the previous valuation, after taking account of changes in claim patterns and the amendments to the Act contained in Bill 81. A complete description of the methods and assumptions employed in the valuation will be provided in our detailed report to the Board on the valuation.

In our opinion, which includes the foregoing comments, the amount of $7.82 billion as at December 31, 1985 makes reasonable provision for future compensation, pension payments and health care under Schedule 1 on account of accidents that occurred on or before December 31, 1985.

If inflation protection provisions similar to those enacted in Bill 81 had been in place at the time of previous valuations, and the Board's present investment policy and assessment collection policy (which were adopted following the enactment of Bill 81) had then been in place, the corresponding present values as of December 31, 1983 and December 31, 1984 would have been $5.65 billion and $6.69 billion, respectively. These present values are based on the same actuarial assumptions and methods as were used in establishing the present values of future payments as of those dates, except that a net investment return assumption of 3% per annum was used and the other economic assumptions were modified as necessary to be consistent with the investment return assumption.

Samuel Eckler, F.S.A., F.C.I.A.



David A. Short, F.S.A., F.C.I.A.

June 16, 1986.

Actuaries with the firm of
Eckler Partners Ltd.

WORKERS' COMPENSATION BOARD

Statement of Income, Expenses and Unfunded Liability
Schedule 1 Accident Fund
year ended December 31, 1985

	1985	1984 (restated Note 2)
	($ 000's)	
INCOME		
Assessments and penalties (net of uncollectible assessments 1985 — $27,987; 1984 — $21,259)	1,301,121	1,048,569
Investment income (Note 9)	186,366	176,226
	1,487,487	1,224,795
EXPENSES		
Benefits (Note 10)	986,624	879,354
Accident prevention — Page	35,266	31,585
Administration — Page	114,644	90,510
Medical and rehabilitation services	24,380	21,441
Legislated obligations (Note 11)	6,900	7,065
	1,167,814	1,029,955
EXCESS OF INCOME OVER EXPENSES BEFORE PROVISION FOR INCREASE IN ESTIMATED PRESENT VALUE OF FUTURE PAYMENTS TO EXISTING SCHEDULE 1 CLAIMANTS	319,673	194,840
PROVISION FOR INCREASE IN ESTIMATED PRESENT VALUE OF FUTURE PAYMENTS TO EXISTING SCHEDULE 1 CLAIMANTS	1,130,000	1,040,000
EXCESS OF EXPENSES OVER INCOME	(810,327)	(845,160)
UNFUNDED LIABILITY, BEGINNING OF YEAR — as restated (Note 2)	(4,570,475)	(3,725,315)
UNFUNDED LIABILITY, END OF YEAR	(5,380,802)	(4,570,475)

WORKERS' COMPENSATION BOARD

Balance Sheet
Schedule 2
December 31, 1985

	1985 ($ 000's)	1984
ASSETS		
Cash	694	175
Investments	11,862	7,772
Administration Expenses Recoverable (Note 8)		10,443
Interest and Other Receivables	291	172
	12,847	18,562
LIABILITIES		
Due to Schedule 1	286	7,523
Net Deposits — Page	12,561	11,039
	12,847	18,562

Approved by the Board:

Chairman

Vice-Chairman of Administration and General Manager

WORKERS' COMPENSATION BOARD

Statement of Changes in Net Deposits
Schedule 2
year ended December 31, 1985

	1985 ($ 000's)	1984
INCREASE IN DEPOSITS		
Reimbursements from employers		
Benefits	84,660	75,215
Administration costs	12,589	12,023
Investment income	1,093	818
	98,342	88,056
DECREASE IN DEPOSITS		
Benefits to workers		
Compensation	34,373	31,189
Health Care	14,137	12,334
Rehabilitation	1,305	1,129
Pensions	34,416	30,210
Administration costs	12,589	12,023
	96,820	86,885
INCREASE IN NET DEPOSITS	1,522	1,171
NET DEPOSITS, BEGINNING OF YEAR	11,039	9,868
NET DEPOSITS, END OF YEAR	12,561	11,039

Notes to the Financial Statements
December 31, 1985

1. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared using the accrual method of accounting except for Schedule 2 benefit payments and their related reimbursements which are accounted for on the cash basis.

Investments

Investments are carried at amortized cost for bonds and amortized cost less principal repayments for mortgages. The difference between the proceeds on the sale of a bond or mortgage and its book value is considered to be an adjustment of future portfolio yield, deferred on the balance sheet and amortized over the lesser of the period to maturity of the security sold and 20 years. Short-term investments are carried at cost.

Market values of investments are not disclosed as the Board's policy is generally to hold them to maturity.

Land, buildings and equipment

Land, buildings, equipment, leasehold improvements, and motor vehicles are stated at cost. Buildings, equipment, leasehold improvements and motor vehicles are depreciated on the straight-line method at rates calculated to amortize the cost of the assets over their estimated useful lives.

Equipment purchases with a unit cost of $1,000 or less and leasehold improvements with a unit cost of $5,000 or less are expensed.

Assessment income

Assessment income is determined on the basis of provisional payrolls reported by employers. At year end, an accrual is calculated to give effect to the additional assessment revenue anticipated as a result of the actual payrolls being greater than provisional.

Estimated present value of future payments to existing Schedule 1 claimants

The estimated present value of future payments to existing Schedule 1 claimants is determined annually by the Board's Actuary and is reviewed by an independent consulting actuary.

WORKERS' COMPENSATION BOARD

Notes to the Financial Statements — Continued
December 31, 1985

2. CHANGE IN THE VALUATION PRACTICE IN DETERMINING THE ESTIMATED PRESENT VALUE OF FUTURE PAYMENTS TO EXISTING SCHEDULE 1 CLAIMANTS

	1985	1984
	($ 000's)	
Unfunded liability, beginning of year		
As previously reported	(2,710,475)	(2,025,315)
Change in valuation practice in determining the estimated present value of future payments to existing Schedule 1 claimants	(1,860,000)	(1,700,000)
As restated	(4,570,475)	(3,725,315)

The Workers' Compensation Act was amended on December 20, 1985 by the passage of Bill 81 which indexed future annual increases in pensions and temporary compensation payments based on the change in the consumer price index for the twelve-month period ending the previous October 31. To reflect this amendment the adoption of a net 3% discount rate was approved by the Board of Directors on June 4, 1986.

The adoption of the above discount rate is a change from the previous practice of moving to an indexed liability by decreasing the net discount rate ½% each year (the net discount rate used at December 31, 1984 and December 31, 1983 was 6.5% and 7.0% respectively).

The provision of Bill 81 and the resulting change in the valuation practice used to determine the estimated present value of future payments to existing Schedule 1 claimants has been retroactively applied to previous years. The effect of this change was to increase the excess of expenses over income by $160 million from that which was reported on the 1984 financial statements and to increase the excess of expenses over income by $1.7 billion (reflected through unfunded liability) for years prior to 1984.

The change in the current year, had the previous valuation practice been used, has not been determined.

3. SCHEDULE 1 AND SCHEDULE 2

Schedule 1 relates to industries where the employers are liable to contribute to the accident fund and Schedule 2 relates to industries where the employers are individually liable to pay compensation, health care, rehabilitation costs and pensions.

4. INVESTMENTS

	1985	1984
	($ 000's)	
Bonds	1,365,500	1,081,502
Mortgages	398,510	392,656
	1,764,010	1,474,158
Unamortized portion of realized losses net of gains on sale of investments	28,350	27,045
	1,792,360	1,501,203
Short-term	121,853	203,708
	1,914,213	1,704,911

5. OTHER ASSETS

	1985	1984
	($ 000's)	
Accrued investment income	41,269	34,301
Accrued assessment income	150,000	120,000
Assessment and other receivables	367,628	273,712
Due from Schedule 2	286	7,523
Prepaid expenses	4,198	1,985
	563,381	437,521

WORKERS' COMPENSATION BOARD

Notes to the Financial Statements — Continued
December 31, 1985

6. LAND, BUILDINGS AND EQUIPMENT

	Cost	Accumulated Depreciation and Amortization	Net Book Value	Depreciation and Amortization Rates
		($ 000's)		
Land	6,754		6,754	
Buildings	11,034	5,855	5,179	2½%
Leasehold improvements	3,335	2,012	1,323	10%
Equipment	14,366	12,311	2,055	20%
Motor vehicles	1,709	744	965	25%
	37,198	20,922	16,276	

Total depreciation and amortization expense for the year was $2,886,000 (1984 — $2,797,000).

7. ACCOUNTS PAYABLE AND ACCRUED CHARGES	1985 ($ 000's)	1984
Accounts payable and accrued charges	32,342	24,084
Cheques issued and not yet cashed	23,787	19,967
	56,129	44,051

8. ADMINISTRATION EXPENSES RECOVERABLE

The Board administers the payment of worker benefits on behalf of Schedule 2 employers, for which it allocates a charge to Schedule 2 employers based on the total administration costs less certain costs not appropriate to Schedule 2. During 1985, the Board commenced billing Schedule 2 employers monthly with the administrative expenses being recovered on an ongoing basis.

9. INVESTMENT INCOME	1985 ($ 000's)	1984
Investment income	193,046	182,087
Less Amortization of losses net of gains on sale of investments	(6,237)	(5,439)
Investment administration expenses	(443)	(422)
	186,366	176,226

10. BENEFIT EXPENSES	1985 ($ 000's)	1984
Compensation	515,204	466,695
Health Care	137,649	117,631
Rehabilitation	23,597	21,615
Pensions	312,343	275,016
	988,793	880,957
Less recovered from third parties	(2,169)	(1,603)
	986,624	879,354

11. LEGISLATIVE OBLIGATIONS	1985 ($ 000's)	1984
Occupational Health and Safety Act	5,377	6,237
Mine rescue	781	828
Worker' Compensation Appeals Tribunal	627	
Workers' and Employers' Adviser	115	
	6,900	7,065

WORKERS' COMPENSATION BOARD

Notes to the Financial Statements — Continued
December 31, 1985

12. LEASE COMMITMENTS

The Board rents office space under operating lease arrangements with various expiry dates. The aggregate minimum annual rental under these arrangements for the next five years is as follows:

	($ 000's)
1986	$6,787
1987	$6,170
1988	$5,793
1989	$5,288
1990	$4,392

13. SUPERANNUATION FUND

The Board has a benefit-based premium plan, the Superannuation Fund, for its employees and employees of the provincial safety associations. The accounts of the Fund are included in separate financial statements. The most recent triennial actuarial valuation as at December 31, 1983 determined that this Fund was in a surplus position.

14. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to correspond to the current year's presentation.

WORKERS' COMPENSATION BOARD

Schedule 1 Accident Fund
Accident Prevention Expenses
year ended December 31, 1985

	1985	1984
	($ 000's)	
BY CATEGORY		
Salaries and employees' benefits	19,246	17,544
Travel and vehicle maintenance	2,850	2,636
Supplies and services	648	591
Equipment rental and maintenance	653	708
Depreciation of equipment	293	294
Occupancy costs	1,754	1,512
Security services and insurance	63	62
Communications and publications	8,006	6,708
Other	1,753	1,530
	35,266	31,585
BY SAFETY ASSOCIATION/AUTHORITY		
Construction Safety Association of Ontario	8,112	7,590
Electrical Utilities Safety Association of Ontario	1,394	1,225
Forest Products Accident Prevention Association	1,304	1,200
Farm Safety Association, Inc.	862	716
Hospital Accident Prevention Association	1,633	1,427
Industrial Accident Prevention Association	15,226	13,261
Mines Accident Prevention Association of Ontario	1,997	2,028
Ontario Pulp & Paper Makers Safety Association	626	610
Transportation Safety Association of Ontario	1,101	924
Occupational Health and Safety Education Authority	3,011	2,604
	35,266	31,585

WORKERS' COMPENSATION BOARD

Schedule 1 Accident Fund
Administration Expenses
year ended December 31, 1985

	1985	1984
	($ 000's)	
Salaries and employees' benefits	107,757	93,496
Travel and vehicle maintenance	2,974	2,653
Supplies and services	3,482	2,310
Equipment rentals and maintenance	8,978	5,812
Depreciation of equipment	1,964	1,436
Occupancy costs — net	9,740	5,876
Security services and insurance	721	691
Data processing costs	1,940	773
Communications and publications	9,650	7,509
Chest examining station costs	882	815
Credit reports and legal expenses	816	824
Professional fees and services	770	636
Other	2,587	1,765
	152,261	124,596
Less		
Administration expenses charged to		
Investment income	443	422
Downsview Rehabilitation Centre (included in Health Care expenses — Note 10)	205	200
Medical and rehabilitation services	24,380	21,441
Schedule 2	12,589	12,023
	37,617	34,086
Net charge to statement of income, expenses and unfunded liability Schedule 1 Accident Fund	114,644	90,510